2003
British Columbia
Financial and Economic
Review

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(July 2003)

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BRITISH
COLUMBIA

Ministry of Finance

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Introduction

General Description of the Province

British Columbia is located on Canada's Pacific coast, and has a land and freshwater area of 95 million hectares. It is Canada's third largest province and comprises 9.5 per cent of the country's total land area.

Geography

The province is nearly four times the size of Great Britain, 2.5 times larger than Japan and larger than any American state except Alaska. BC's 7,022-kilometre coastline supports a large shipping industry through ice-free, deep-water ports. The province has about 8.5 million hectares of grazing land, 1.8 million hectares of lakes and rivers, and 950,000 hectares of agricultural land that is capable of supporting a wide range of crops.

Physiography

BC is characterized by mountainous topography, but also has substantial areas of lowland and plateau country. The province has four basic regions, a northwesterly trending mountain system on the coast, a similar mountain system on the east, and an extensive area of plateau country between the two. The northeastern corner of the province is lowland, a segment of the continent's Great Plains.

The western system of mountains averages about 300 kilometres in width and extends along the entire BC coast and the Alaska panhandle. The Coast Mountains contain some of the tallest peaks in the province. The western system includes the Insular Mountains that form the basis of Vancouver Island and the Queen Charlotte Islands. These islands help to shelter the waters off the mainland coast of BC, which form an important transportation route for people and products.

The interior of the province is a plateau of rolling forest and grassland, 600 to 1,200 metres in average elevation. North of Prince George the interior becomes mountainous, but plateau terrain returns just south of the Yukon boundary in the area drained by the Liard River. The southern interior's water system is dominated by the Fraser River, which has a drainage area covering about one-quarter of the province. The Rocky Mountains, in the eastern mountain system, rise abruptly on the southern BC-Alberta boundary and are cut by passes that provide dramatic overland transportation routes into the province. The Rocky Mountain Trench lies immediately to the west of the Rockies. This extensive valley, the longest in North America, is a geological fault zone separating different earth plates. It is the source of many of BC's major rivers, including the Peace, Columbia and Fraser.

Climate and Vegetation

Coastal BC has abundant rainfall and mild temperatures associated with a maritime climate. The Pacific coast has an average annual rainfall of between 155 and 440 centimetres, while the more sheltered coasts of eastern Vancouver Island and the mainland along the Strait of Georgia average between 65 and 150 centimetres. Canada's longest frost-free periods of over 180 days per

year are enjoyed along the edges of the coastal zone and far inland along the Fraser River valley. Temperatures fall quickly up the steep slopes of the Coast Mountains. The predominant trees in this coastal region are the western hemlock, western red cedar and balsam (amabilis fir) in the wetter parts, and Douglas fir and grand fir in the drier areas.

BC's interior region has a mainly continental type of climate, although not as severe as that of the Canadian prairies. Considerable variation in climate occurs, especially in winter, as mild Pacific storms bring relief from cold spells. The southern interior has the driest and warmest climate of the province. In the valleys, annual precipitation ranges from less than 30 centimetres to 50 centimetres, while daily temperatures can average over 20 degrees Celsius in July and just under freezing in January. The climate becomes more extreme further north and precipitation increases. The frost-free period in the north is short and variable. Lodgepole pine is the dominant tree of commercial value in the interior.

The northeast region of the province is an extension of the western prairie region of Alberta. It has a continental climate that is more extreme than that of the northern interior region. However, it does have long hot summers and a frost-free period long enough to grow grain, forage and other crops.

Chapter One
Economic Review[1]

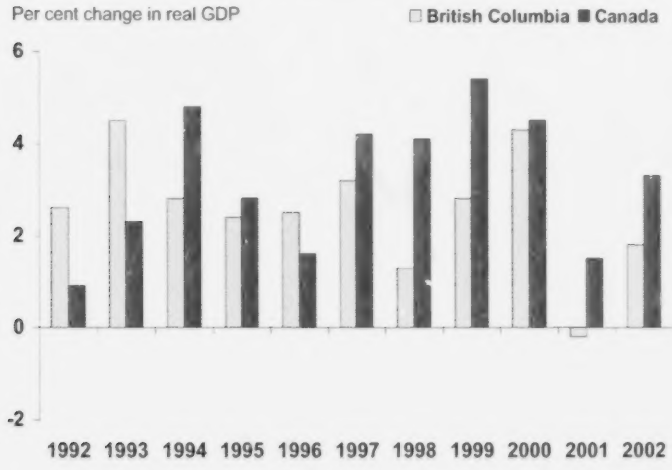
[1] Reflects information available as of June 6, 2003.

2002 Overview

The British Columbia economy grew more rapidly than expected from the 2001 slowdown, posting 1.8 per cent real growth in 2002, following the 0.2 per cent decline in 2001. British Columbia's economic turnaround was hindered by a relatively weak recovery in the U.S. economy. Continuing geopolitical uncertainty also limited growth rates for many of the province's economic partners. The lack of resolution in the U.S. softwood lumber dispute impacted the provincial forest sector. However, natural gas activity picked up towards the end of the year.

Consumer spending remained robust through the year thanks to purchases of large consumer durables. The housing sector also recorded a significant increase in 2002 propelled by low mortgage rates. Although BC experienced robust job creation through the year with 78,000 jobs since December 2001, annual growth was limited to 1.6 per cent reflecting job losses in the latter part of 2001.

Chart 1.1 Canadian and British Columbia economic growth



Source: Statistics Canada

External Environment

During 2002, the North American economy expanded at a moderate pace, reflecting a hesitant U.S. recovery. A much stronger recovery in Canada was evidenced by growth in employment, housing construction and trade. Geopolitical uncertainties heated up in 2002 as tensions around the war on terrorism, the situation in the Middle East, the revelation of North Korea's nuclear program and the oil sector strike in Venezuela raised concerns for the global economy.

U.S. Economy

The U.S. economy expanded 2.4 per cent in 2002, an improvement from the 0.3 per cent growth recorded in 2001 when the U.S. dipped into recession. Consumer spending was up strongly due to increased sales of consumer durables and a surge in automobile sales caused by dealer incentives and low interest rates. Housing starts rose 6.9 per cent to 1.7 million units, the highest level since 1986. However, behind the improvement in total output were signs of slowing business investment and manufacturing output. Industrial production declined 0.8 per cent in 2002, as excess capacity acted as a major brake on the economy. Consumer debt also reached record levels, and without strong job and income growth, consumers' ability to repay their loans was minimal.

Canadian Economy

The Canadian economy outperformed the U.S. economy in 2002, growing an estimated 3.3 per cent. Unlike the U.S., growth in Canada was broadly based and accompanied by significant gains in employment. Canadian interest rates remained near historically low levels despite a modest increase in July. Consumer spending was strong with retail sales up 6.0 per cent in 2002. Purchases of larger consumer durables, like furniture and appliances, as well as new motor vehicles drove the increase. The manufacturing sector in Canada benefited from lower production costs on goods sold into the U.S. market thanks to a weak Canadian dollar

International Economy

Overseas, economic conditions were stagnant in Japan. Real GDP inched up by 0.2 per cent in 2002, following growth of just 0.4 per cent in 2001. High oil prices, resulting from the strike in Venezuela and rising tensions in the Middle East hurt the economy. The outlook for Japanese economic growth remains weak.

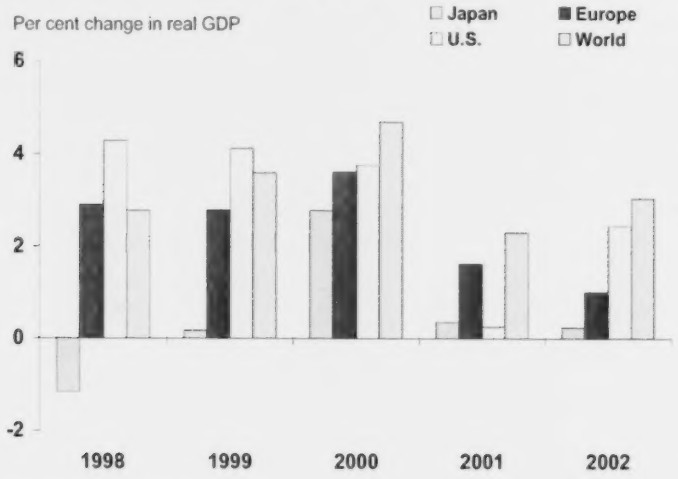
Elsewhere, the European economy confronted challenges including weakening domestic demand and, in Germany, a fragile banking system. The German economy grew just 0.2 per cent in 2002, the slowest growth in nine years. Robust growth in exports saved Europe's largest economy from slipping into a recession last year.

The International Monetary Fund estimates that world growth in gross domestic product rose from 2.3 per cent in 2001 to 3.0 per cent in 2002.

Financial Markets

Interest rates held steady for most of 2002. Before the 50 basis point reduction in the federal funds rate in November, this key U.S. interest rate had been unchanged since December 2001. In Canada, the Bank of Canada raised the overnight target rate by 75 basis points between April and July 2002 and then stayed on the sidelines for the remainder of the year.

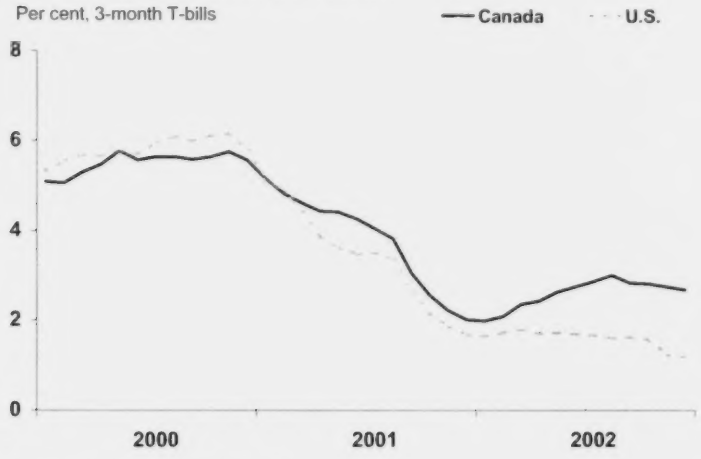
Chart 1.2 External economic growth



Source: International Monetary Fund

The relative lack of movement in U.S. interest rates reflected the weakness of the U.S. recovery. At the same time, Canada's economy rebounded strongly and output moved closer to full capacity. Rising geopolitical uncertainty and the lack of a solid global recovery helped ease some of the pressure to raise domestic interest rates.

Chart 1.3 Short-term interest rates



Source: Bank of Canada and Federal Reserve Bank of San Francisco

The value of the Canadian dollar fell against the U.S. dollar throughout 2002. For the year, the currency averaged 63.7 cents US, down 0.9 cents US from 2001. In January 2002, the Canadian dollar closed at 62.0 US, the lowest value since the Canadian dollar was established.

British Columbia Economy

The British Columbia economy grew 1.8 per cent in 2002, after a 0.2 per cent decline in 2001. Growth was mainly due to increased domestic activity. Consumer spending, which accounts for about two-thirds of economic activity in the province, benefited from continued low interest rates, growth in employment and federal and provincial tax cuts. Domestic demand remained relatively robust with housing starts and retail sales recording significant annual per cent growth increases, and final domestic demand posted 1.7 per cent growth.

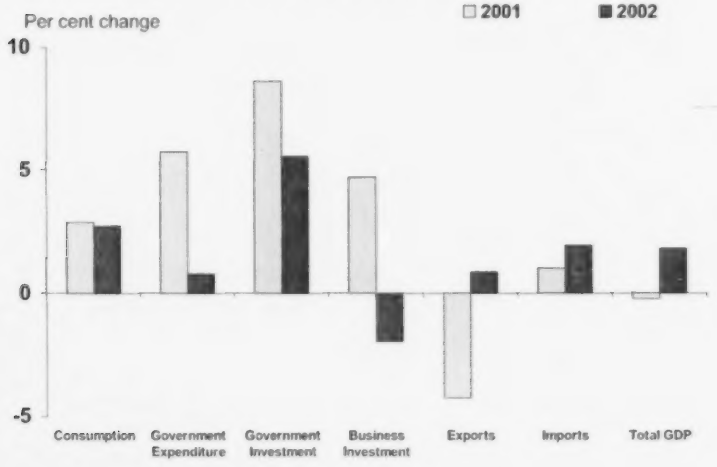
Total employment rose 1.6 per cent in 2002 and the annual unemployment rate rose by 0.8 percentage points to 8.5 per cent. For the first time, over two million British Columbians were employed.

Consumer demand remained strong with retail sales posting a 6.0 per cent increase in 2002, equivalent to the Canada-wide growth rate. Residential investment also grew strongly with housing starts averaging an increase of 25.5 per cent over 2001, the highest growth in a decade.

Real GDP

In 2002, economic output advanced 1.8 per cent, as consumer spending continued its fast-paced momentum from 1996. Business investment declined in 2002, due to a 21.0 per cent decrease in non-residential investment. The volume of imports rose more than exports, which also slowed overall economic growth. Consumer spending grew 2.7 per cent in 2002, continuing to be the main driver of economic growth.

Chart 1.4 British Columbia GDP by component



Source: Statistics Canada

Capital Investment

Total capital investment[1] in the province fell 4.7 per cent to $21.9 billion in 2002. Public sector investment rose 11.4 per cent, but private sector

[1] Investment figures generated by Statistics Canada based on a survey of British Columbia businesses, institutions and government.

investment, which accounts for just over 75 per cent of total investment, fell 8.7 per cent.

After a major capital spending increase in the mining, quarrying and oil well industry in 2001, investment in the industry fell 36.0 per cent in 2002 as energy prices weakened. Information and cultural industries investment was down 27.9 per cent, and finance and insurance fell 23.7 per cent.

Meanwhile, despite big drops in capital spending in many industries, housing investment was up 8.3 per cent reflecting low mortgage interest rates and rising housing starts through the year. Investment in education rose 19.3 per cent, and investment in health services was up 24.1 per cent.

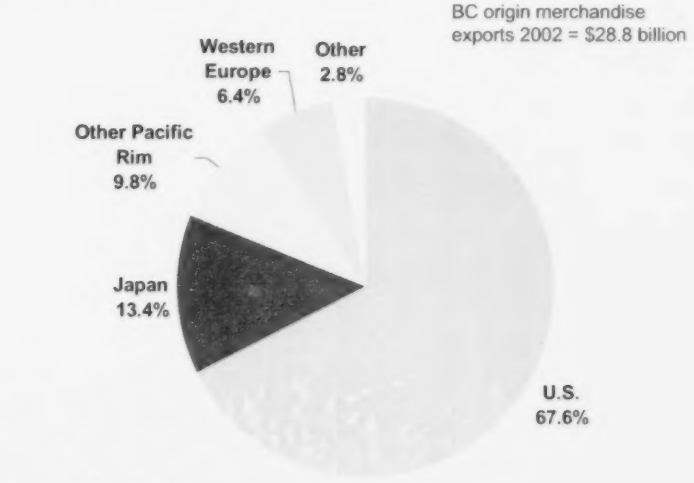
Investment figures for 2002 include spending on major capital projects across the province including:

- The *SkyTrain* Millenium Line;
- Vancouver General Hospital Redevelopment;
- Kicking Horse Canyon (Golden to Yoho) 5 Mile Bridge Project;
- University of British Columbia Life Sciences Centre.

Exports

The value of foreign merchandise exports fell 9.2 per cent in 2002. Exports to the U.S., the province's largest trading partner, fell 11.8 per cent, largely due to a decline in the value of energy exports. The value of exports to Japan dropped 4.7 per cent, led by declines in pulp, and lumber. Exports to the Pacific Rim, excluding Japan, rose 7.6 per cent, and exports to Western Europe fell 14.4 per cent. Appendix Table A1.7 provides detail on exports by major market and commodity.

Chart 1.5 Exports by market, 2002



Source: Statistics Canada

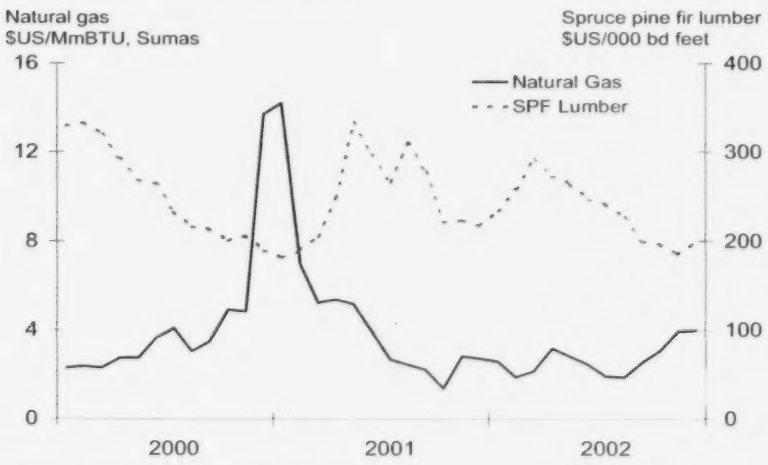
As a result, the U.S. was the destination of a slightly smaller share of British Columbia exports in 2002, accounting for 67.6 per cent. Japan's share rose to 13.4 per cent (see Chart 1.5).

Commodity prices were the main reason for the decline in the value of exports in 2002. Electricity prices, in particular, declined about 83 per cent from 2001 to 2002. This caused the value of electricity exports to fall significantly, despite an increase in the quantity exported. Natural gas prices fell over $10 U.S./MmBTU from their peak in January 2001 to December. They have declined a further 41 per cent in 2002 from the previous year. Forest product prices also fell during 2002.

The softwood lumber dispute with the U.S. has affected exports in an unexpected way. The U.S. imposed duties of about 27 per cent on Canadian softwood lumber that crossed the border. In order to minimize costs Canadian companies responded to the duties by increasing production at efficient mills, while less efficient mills closed. The lumber market became oversupplied causing prices to fall. As a result, while B.C. companies produced 11 per cent more lumber measured in volume terms in 2002, the value of lumber exports dropped 4 per cent.

- Lumber prices averaged $235 US per thousand board feet in 2002, down from $248 US in 2001.
- Pulp prices averaged $463 US per tonne in 2002, down significantly from $543 US in 2001. Prices fell steadily during the year as global demand slowed.
- Newsprint prices followed pulp prices, averaging $468 US per tonne, down from $588 US in the previous year.

Chart 1.6 Key commodity prices

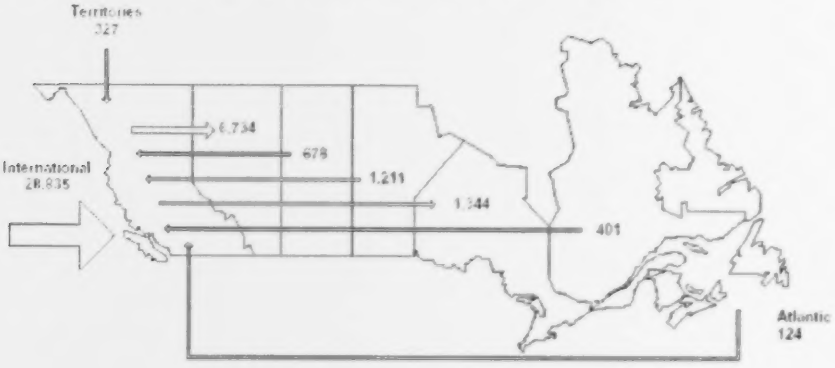


Source: Madison's Lumber Reporter and Ministry of Energy and Mines

Population and Labour Force Characteristics

Historically, British Columbia's population has grown faster than Canada's due to large net inflows of people from the rest of the country and immigrants from other countries. This changed in 1998. The province's population growth slowed due to a net outflow of people to other parts of Canada, while overall net migration remained positive. As well, net international in-migration slowed in the wake of the Asian downturn and the turnover of Hong Kong to China. By 2000, British Columbia's population growth had slowed to 0.8 per cent, slightly below the national average and the slowest rate since the province joined Canada in 1871. Subsequently the province's population grew by 1.0 per cent in 2001 and 2002, as the pace of migrants leaving BC slowed.

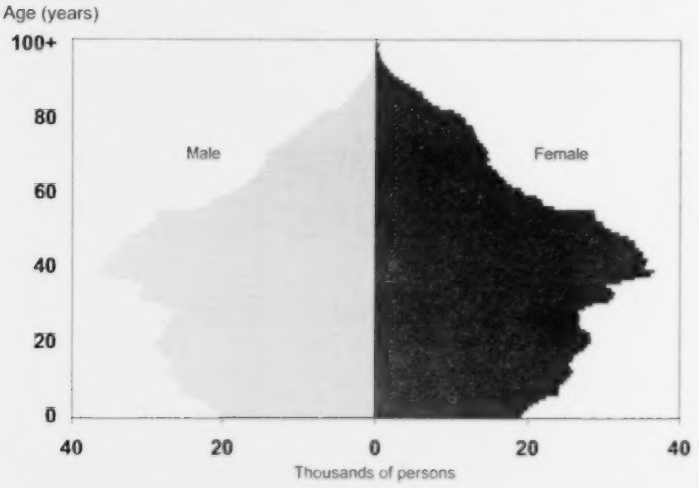
Map 1.1 Net interprovincial and international migration in B.C.



Note: Net population movement represents total inflow less total outflow

Source: Statistics Canada

Chart 1.7 British Columbia population by age and sex, 2002



Source: BC Stats and Statistics Canada

The provincial labour force grew modestly over the past five years, with the exception of 1998 and 2001 when general economic indicators were weaker. The labour force expanded by 2.6 per cent in 2002. Employment grew at an average annual rate of 1.1 per cent from 1998 to 2002. The pace of employment growth picked up from a 0.3 per cent decline in 2001 to a 1.6 per cent increase in 2002.

Labour and Income Developments

Employment levels rose in 2002 or stayed steady in all the major sectors of the economy with the exception of the public administration sector, which declined by 4.3 per cent. Manufacturing sector employment crept up 0.4 per cent led by growth in the food, paper, and transportation equipment industries. The main negative pressure on goods sector employment was from a 9.1 per cent decline in the number of jobs in the wood products industry.

Employment in the trade sector rose 3.1 per cent in 2002, adding 9,500 jobs to the total. Employment in the service industries grew 1.4 per cent, largely due to expansion in the health and welfare sector. Although B.C. experienced robust job creation through the year, with around 78,000 jobs since December 2001, annual job growth was limited to 1.6 per cent, reflecting job losses in the latter part of 2001.

Table 1.1 British Columbia Population and Labour Market Statistics

	Units	1998	1999	2000	2001	2002
Population (as at July 1)	(thousands)	3,997.1	4,028.3	4,060.1	4,101.6	4,141.3
	(% change)	0.9	0.8	0.8	1.0	1.0
Net Migration		10,745	20,339	18,506	31,634	23,498
International		28,266	32,752	33,289	37,966	28,835
Interprovincial		-17,521	-12,413	-14,783	-6,332	-5,337
Labour Force	(thousands)	2,051.2	2,079.1	2,099.7	2,103.5	2,157.8
	(% change)	0.5	1.4	1.0	0.2	2.6
Employment	(thousands)	1,870.2	1,906.4	1,949.1	1,942.4	1,973.4
	(% change)	0.1	1.9	2.2	-0.3	1.6
Unemployment Rate	(%)	8.8	8.3	7.2	7.7	8.5

Source: Statistics Canada

Prices and Wages

The rate of inflation increased substantially in the second half of the year and peaked at an annual rate of 3.5 per cent in November and December of 2002. This was due to a bounce back from the very low levels of inflation that were recorded in the months immediately after September 11, 2001.

Personal income increased 1.5 per cent in 2002, reflecting moderate employment growth, and increases in average weekly earnings. Total wages and salaries grew 2.4 per cent between 2001 and 2002, bolstered by high-paying jobs in high-tech as well as in the resource industry, but investment income weakened, reflecting lower interest rates and a weak stock market. Corporate profits fell slightly for the second year in a row, down 2.8 per cent in 2001 and 1.9 per cent last year.

Table 1.2 Price and Earnings Indices

	Units	1998	1999	2000	2001	2002
Consumer Price Index	(1992=100)	110.0	111.2	113.3	115.2	117.9
(British Columbia)	(% change)	0.3	1.1	1.9	1.7	2.3
Average weekly earnings	($)	643.06	650.96	662.81	667.86	674.78
	(% change)	0.7	1.2	1.8	0.8	1.0
Wages and salaries	($ millions)	54,174	56,263	60,270	61,496	62,985
	(% change)	2.1	3.9	7.1	2.0	2.4
Personal income	($ millions)	98,135	101,384	107,460	110,258	111,955
	(% change)	2.3	3.3	6.0	2.6	1.5
Corporate profits (pre-tax)	($ millions)	7,335	9,121	10,300	10,009	9,821
	(% change)	-11.5	24.3	12.9	-2.8	-1.9

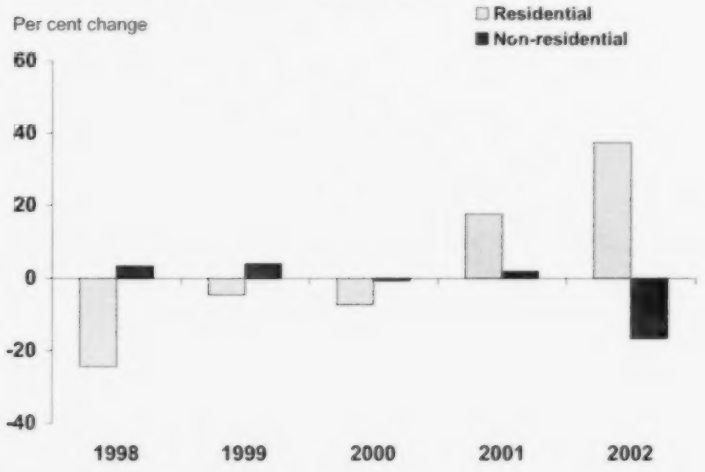
Source: Statistics Canada

Consumer Expenditure and Housing

Consumer spending remained relatively robust through the year. The total value of retail sales rose 6.0 per cent in 2002, following a 6.0 per cent increase in 2001. The increase was mainly due to the purchases of large consumer durables including new motor vehicles, furniture and appliances.

Housing starts soared in the province through the year as mortgage interest rates continued to decline. For 2002, housing starts totaled 21,625 units, a 25.5 per cent increase from 2001 and the largest increase in a decade.

Chart 1.8 Building permits by activity



Source: Statistics Canada

As a result of improving housing demand, the value of residential building permits rose 37.4 per cent to $3.9 billion. The housing sector boom resulted from a combination of several factors. Strong employment growth, very low

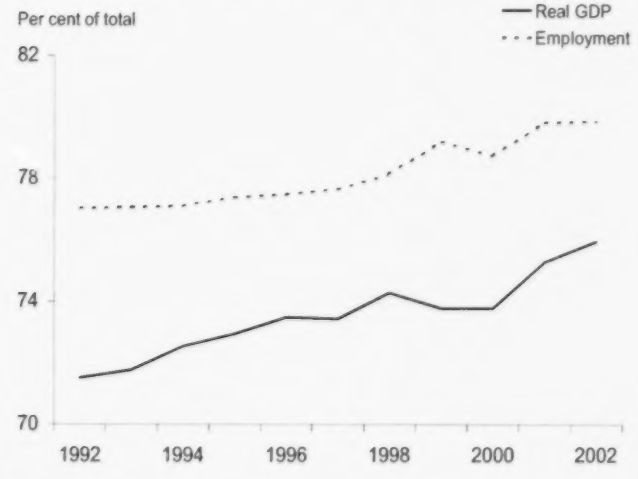
mortgage rates, the scarcity of dwellings available for rent or sale, and rising disposable income together created exceptional conditions that attracted consumers to the new home market. The value of non-residential building permits fell 16.6 per cent to $1.8 billion.

Industrial Structure and Performance

The province's rich endowment of natural resources and their development historically formed the backbone of British Columbia's economic structure. In the past, the economy was largely based on primary and secondary forest production for export markets. Other natural resource sectors, such as agriculture, mining (including oil and gas) and fishing (including aquaculture) also contributed significantly.

In recent years, a more diversified economy has emerged, supported by many non-resource activities such as film, tourism, high-technology industries including software and biotechnology, and other value-added industries. The British Columbia economy is steadily maturing into a more broadly based structure that is becoming less vulnerable to changes in international markets for natural resources. By comparison to other Canadian provinces, B.C.'s service sector is one of the largest as a share of GDP.

Chart 1.9 Service industries in British Columbia



Source: Statistics Canada

The distribution of industrial output reflects the declining relative share of natural resources in British Columbia's gross domestic product in the past decade or so. The agriculture, forestry, fishing, hunting and mining industries (including their support activities) produced 6.5 per cent of total real gross domestic product in 2002, down from 7.0 per cent in 1992. Manufacturing industries (sawmills, pulp mills, factories, smelters, etc.) which, for the most part, process primary resource products into goods of higher value, produced 10.5 per cent of the total real gross domestic product in 2002, compared to 12.0 per cent in 1992.

In total, the goods-producing sector, including the construction and utilities industries, produced 24 per cent of the province's total output in 2002. This was down from 25 per cent a year earlier, and 29 per cent in 1992.

Service-producing industries generated 76 per cent of the total provincial gross domestic product in 2002. Industries within the service sector include: transportation, communications and storage; wholesale and retail trade; finance, insurance and real estate; community, business and personal services; and public administration and defense.

The goods-producing sector employed only 20 per cent of workers in 2002, down from 23 per cent in 1992. With the declining share of natural resources in provincial output, the percentage of people employed in the goods sector has also seen a declining trend in recent years. The service-producing sector is the province's largest employer, accounting for nearly 80 per cent of total employment in 2002.

High Tech

The high technology sector[1] has been a leading performer in British Columbia's economy, and outperformed other sectors in revenue, employment, and wage and salary growth. However, the global meltdown in high-tech in 2001 also affected British Columbia's high-tech industry, as total output from the high-tech sector shrank by 4.0 per cent in 2001. This was the first time since 1996 that GDP growth in the high-tech sector was below the provincial average. Revenue and earnings also fell due to a downturn in the high-tech manufacturing sector.

Chart 1.10 Trends in high technology employment in B.C.

Source: Statistics Canada

Although the service industries dominate the high-tech sector in terms of size, it has been the manufacturers that have provided much of the stimulus for GDP growth in the last decade. High-tech manufacturing industries' average

[1] Data for the high technology sector in 2002 was not available at the time of publication.

annual GDP growth rate was 11.7 per cent over the last ten years, compared to 4.5 per cent for high-tech service industries over the same period.

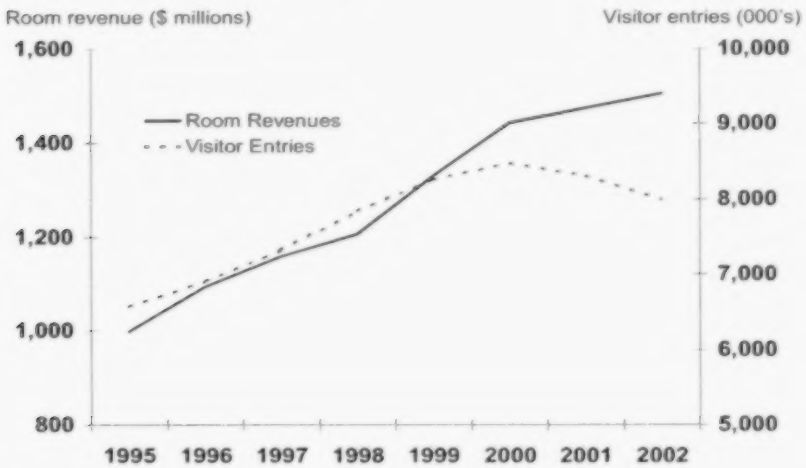
Employment in B.C.'s high-tech sector has grown rapidly over the past decade. The year 2001 was no exception as employment grew substantially to 45,550 workers, up 5.2 per cent from 2000. This compares to -0.3 per cent growth for employment in all sectors in the province[5]. The high-tech sector in B.C. gained approximately 2,260 jobs in 2001.

High-tech employment growth outpaced the expansion of overall employment in most years in the last decade. This long run of growth has caused the number of workers in the high-tech sector to increase by almost 68 per cent over the last ten years. The high-tech sector now accounts for 2.9 per cent of all jobs, up from 2.0 per cent in 1991.

Tourism

The tourism industry has been another bright spot in British Columbia's economy in the past decade, growing faster than the overall provincial economy. Tourism grew rapidly in 1999 and 2000, buoyed by a low Canadian dollar. This fast-paced growth continued into the first half of 2001 until the terrorist attacks on September 11th, when tourism revenue tumbled as a result of the reduced number of tourists. However, tourism room revenue still grew 2.2 per cent in 2001. Room revenues increased by the same amount again in 2002, topping $1.5 billion.

Chart 1.11 B.C. Tourism industry



Source: BC Stats

[5] Economy wide figures are based on the Labour Force Survey.

Energy In British Columbia

British Columbia is emerging as a key player in North America's energy future. Its oil, natural gas and hydroelectric production is already tied into the North American market through a series of pipelines and transmission interconnects. Furthermore, with its large reserves of natural gas and untapped potential, British Columbia has the capacity to significantly increase its energy production and exports in the future.

BC's Economic Advantages:

- Highly productive onshore oil and gas industry with three of the largest recent natural gas finds in North America (Ladyfern, Monkman and Greater Sierra);
- Significant coalbed methane potential;
- Seven major undeveloped onshore basins;
- Huge offshore potential and a new, dedicated offshore team to work with First Nations, communities and the federal government to develop BC's offshore oil and gas resources;
- Large and diverse hydro production, and the second lowest industrial rates in North America;
- Connected to U.S. infrastructure and energy hubs;
- Centre of North America's fuel cell industry; and
- Tremendous potential for solar, wind, geothermal, ocean, small hydro, biofuels and biomass energy.

British Columbia's natural gas production accounts for three percent of North American output. However, while U.S. production has remained static, British Columbia's production has almost doubled over the last 10 years. British Columbia has huge proven reserves and undiscovered resource potential. With its well-developed

pipeline infrastructure and close proximity to the U.S. market, British Columbia will continue to expand its role in the North American energy market.

- British Columbia' producing fields (in the north east of the province) have marketable natural gas reserves of 8.9 trillion cubic feet (Tcf).
- Even in the producing area of northeastern BC there is a further 14 to 30 Tcf of undiscovered resources potential.
- Several coalbed methane (CBM) evaluation projects are underway.
- British Columbia produces 16 million barrels (MMBO) of oil per year.
- British Columbia produces 1.1 Tcf of natural gas per year.

British Columbia
Oil and Gas Basins

Under-Explored Basins Resource Potential				Producing Area of NE BC		
	Gas	CBM	Oil		Gas	Oil
Onshore	18 Tcf	89 Tcf	7,700 MMBO	Marketable Remaining Reserves	8-9 Tcf	160 MMBO
Offshore	42 Tcf	–	10,000 MMBO	Resource Potential (Marketable)	14-30 Tcf	173 MMBO

B.C.'s Economic Development Initiatives

British Columbia is committed to building a strong and vibrant economy characterized by new investment, new job opportunities and a higher standard of living for British Columbians. Several key initiatives include:

Deregulation

As part of the deregulation initiative more than 28,000 regulatory requirements have been eliminated, providing greater flexibility for businesses and making the province an attractive location to invest.

Companies will soon be able to use a single business number to complete several business processes at one-time, including incorporations, re-organizations and data maintenance. The new *Business Corporations Act* provides greater flexibility and helps to make the province a more attractive location to do business. The new act adopted the latest and best ideas from other jurisdictions, clarifies the rules and embraced technological advances such as electronic filing.

Energy

A new energy plan was designed to capitalize on British Columbia's competitive advantage in energy by increasing investment in the energy sector and maintaining low-cost electricity and public ownership of BC Hydro.

Transportation Infrastructure Plan

The government has announced a multi-year plan to open up the province by building an integrated and competitive transportation system throughout British Columbia.

In addition to a new transportation investment plan, the government has implemented a new capital asset management framework that encourages new ways to provide public sector infrastructure. The framework provides for alternative service delivery options, including public private partnerships (P3s).

Forestry Policy Reform

The forest industry remains a cornerstone of the British Columbia economy. The government has taken several steps to improve the long-term viability of the industry and improve its competitiveness. The new *Forest and Range Practices Act* replaces the Forest Practices Code with a results-based regulatory regime. The new regime came into effect April 1, 2003 and will substantially reduce industry costs while ensuring sustainability and protecting other values associated with British Columbia's forests.

In addition, the province has embarked on series of reforms to transform the industry to a more market - based approach. These reforms include changes to the tenure system such as removal of minimum cut levels, more auction based timber sales, and an end to the appurtenancy system.

Competitive Tax Regime

British Columbia's tax system is now more competitive. After cutting personal income taxes by 25 per cent, the overall level of taxes for British Columbia families are the second lowest in the country. And the province has the lowest income tax rates in the country for the bottom two tax brackets.

A substantial investment has also been made in restoring B.C.'s business tax climate. The province's ability to attract and retain investment has been improved due to a lower corporate income tax rate, the elimination of the corporate capital tax, a sales tax exemption for production machinery and equipment, and sector specific tax reductions.

Appendix 1

Table A1.1 Summary of Economic Activity for British Columbia

	Units	1988	1989	1990	1991	1992
Annual aggregate indicators						
Population [1]	(thousands)	3,115.7	3,198.5	3,291.4	3,373.4	3,470.3
Nominal gross domestic product (at market prices)	($ millions)	69,408	75,582	79,350	81,849	87,242
Real gross domestic product (chained 1997 $)	($ millions)	91,395	94,400	95,722	95,897	98,373
Personal income	($ millions)	58,298	65,009	72,038	75,336	78,610
Capital investment	($ millions)	-	-	-	17,370	17,979
Business incorporations	(number)	18,703	21,817	19,550	18,528	20,406
Labour statistics						
Labour force	(thousands)	1,599	1,659	1,700	1,749	1,804
Employment	(thousands)	1,435	1,509	1,555	1,573	1,620
Unemployment rate	(per cent)	10.2	9.0	8.6	10.1	10.2
Prices and earnings						
Consumer price index (British Columbia)	(1992=100)	83.9	87.7	92.4	97.4	100.0
Consumer price index (Vancouver)	(1992=100)	83.8	87.5	92.3	97.1	100.0
Average weekly wage rate [2]	($)	-	-	-	-	-
Wages and salaries [2]	($ millions)	-	-	-	-	-
Financial indicators						
Prime rate	(per cent)	10.83	13.33	14.06	9.94	7.48
Canada/U.S. exchange rate	(U.S. cents)	81.25	84.46	85.71	87.28	82.73
Conventional (5 year) mortgage rate	(per cent)	11.65	12.06	13.35	11.13	9.51
Other indicators						
Manufacturing shipments	($ millions)	-	-	-	-	24,398
Retail sales [3]	($ millions)	20,802	22,791	24,200	23,613	24,512
Housing starts	(number)	30,487	38,894	36,720	31,875	40,621
Non-residential building permits	($ millions)	1,647	1,812	1,833	1,803	2,082
Tourism gross domestic product [2]	($ millions)	-	-	-	-	-
High-tech gross domestic product [5]	($ millions)	-	-	-	1,674	1,760
B.C. product exports	($ millions)	17,830	18,334	16,650	15,301	16,363
Commodity data						
Lumber production	(thousand m3)	36,736	35,952	33,514	31,406	33,396
Log production (timber harvest)	(thousand m3)	86,808	87,415	78,318	73,677	74,006
Market pulp shipments	(000 tonnes)	4,141	4,189	3,547	4,014	3,825
Newsprint, other paper and paperboard production	(000 tonnes)	2,878	2,846	2,994	2,721	2,682
Petroleum and natural gas production	($ millions)	736	783	899	858	890
Coal production	(000 tonnes)	24,813	25,134	24,367	24,848	18,094
Solid mineral production	($ millions)	3,224	3,180	2,971	2,755	2,537
Electric power generated	(GW.h)	60,943	57,655	60,662	62,981	64,058
Farm cash receipts	($ millions)	1,206	1,255	1,299	1,340	1,427
Landed value of fish products	($ millions)	573	513	559	492	533

[1] As at July 1. Data take into account adjustments made for net census undercount in 1991 and 1996, and non-permanent residents.

[2] Data prior to 1997 are not available.

[3] Retail sales data prior to 1991 include the old federal manufacturer's sales tax (FST); data for 1991 onwards does not include the goods and services tax.

[4] Data not available.

[5] Data prior to 1991 are not available.

Sources: Statistics Canada and BC STATS, Ministry of Finance, based on federal, provincial and industry data.

Table A1.1 Summary of Economic Activity for British Columbia - *continued*

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2001-2002
										(per cent)
3,571.5	3,681.8	3,784.0	3,882.0	3,959.7	3,997.1	4,028.3	4,060.1	4,101.6	4,141.3	1.0
94,077	100,512	105,670	108,865	114,383	115,641	120,599	129,356	130,859	134,365	2.7
102,770	105,669	108,194	110,857	114,383	115,883	119,122	124,187	123,912	126,141	1.8
81,914	85,703	90,056	92,661	95,925	98,135	101,384	107,460	110,258	111,955	1.5
18,853	21,335	20,556	19,411	22,552	20,643	20,652	21,025	22,934	21,853	-4.7
22,955	25,774	23,846	22,848	22,958	20,759	21,009	21,515	19,749	21,262	7.7
1,856	1,928	1,958	1,995	2,040	2,051	2,079	2,100	2,104	2,158	2.6
1,676	1,754	1,792	1,821	1,869	1,870	1,906	1,949	1,942	1,973	1.6
9.7	9.0	8.4	8.7	8.4	8.8	8.3	7.2	7.7	8.5	10.4
103.5	105.5	107.9	108.9	109.7	110.0	111.2	113.3	115.2	117.9	2.3
103.6	105.7	108.4	109.2	109.8	110.4	111.4	113.9	116.0	118.6	2.2
-	-	-	-	610.7	618.4	625.2	637.1	645.7	667.5	3.4
-	-	-	-	53,035	54,174	56,263	60,270	61,496	62,985	2.4
5.94	6.88	8.65	6.06	4.96	6.60	6.44	7.27	5.81	4.21	-27.5
77.51	73.22	72.86	73.34	72.22	67.41	67.31	67.32	64.56	63.68	-1.4
8.78	9.53	9.16	7.93	7.07	6.93	7.56	8.35	7.40	7.02	-5.2
26,583	30,333	34,207	32,932	33,496	31,757	35,616	37,768	34,106	34,236	0.4
26,553	29,442	31,496	32,071	33,736	33,049	33,684	35,821	37,979	40,273	6.0
42,807	39,408	27,057	27,641	29,351	19,931	16,309	14,418	17,234	21,625	25.5
1,944	1,772	1,966	1,957	1,960	2,022	2,104	2,089	2,125	1,771	-16.7
-	-	-	-	4,739	4,892	5,047	5,400	5,587	n.a.[4]	-
1,918	1,964	2,283	2,179	2,608	2,716	2,961	3,435	3,449	n.a.[4]	-
19,064	22,894	26,893	25,765	26,761	26,045	29,113	33,750	31,780	28,843	-9.2
33,935	33,671	32,611	32,671	31,562	30,238	32,397	32,352	30,182	33,555	11.2
79,239	75,649	76,472	75,213	68,628	64,967	75,997	76,984	72,009	73,386	1.9
4,040	4,763	4,572	4,390	4,532	4,462	4,995	5,152	4,710	4,493	-4.6
3,052	2,961	2,850	2,834	2,605	2,659	3,039	3,093	2,900	2,920	0.7
1,089	1,270	1,040	1,333	1,588	1,573	2,091	4,783	5,666	4,256	-24.9
19,482	22,966	24,515	26,179	27,812	25,276	24,810	26,152	26,482	24,409	-7.8
2,371	2,676	3,437	3,087	3,131	3,025	2,565	2,879	2,866	2,814	-1.8
58,774	61,015	58,006	71,765	66,961	67,710	68,045	68,241	57,332	64,888	13.2
1,452	1,543	1,599	1,712	1,759	1,835	1,938	2,074	2,249	2,242	-0.3
605	735	587	589	604	547	613	659	645	n.a.[4]	-

Table A1.2 British Columbia Real GDP at Market Prices, Expenditure Based

	Consumer Expenditure	Government Expenditure	Residential Investment	Non-Residential Investment	Machinery and Equipment Investment	Business Investment	Exports	Imports	Real GDP
				(millions of 1997 $, chained)					
1997.....	72,380	22,266	8,716	5,791	6,799	21,306	49,691	55,143	114,383
1998.....	73,585	22,875	7,543	4,704	7,340	19,598	51,092	54,559	115,883
1999.....	75,504	22,820	7,048	5,004	7,711	19,800	55,060	58,083	119,122
2000.....	78,051	23,391	7,048	5,202	8,626	20,915	57,403	60,126	124,187
2001.....	80,289	24,734	7,739	5,459	8,658	21,896	54,962	60,720	123,912
2002.....	82,461	24,926	8,951	4,315	8,245	21,468	55,429	61,886	126,141
				(annual percentage change)					
1998.....	1.7	2.7	-13.5	-18.8	8.0	-8.0	2.8	-1.1	1.3
1999.....	2.6	-0.2	-6.6	6.4	5.1	1.0	7.8	6.5	2.8
2000.....	3.4	2.5	0.0	4.0	11.9	5.6	4.3	3.5	4.3
2001.....	2.9	5.7	9.8	4.9	0.4	4.7	-4.3	1.0	-0.2
2002.....	2.7	0.8	15.7	-21.0	-4.8	-2.0	0.8	1.9	1.8

Source: Statistics Canada

Table A1.3 British Columbia GDP at Basic Prices, by Industry

	Crop and Animal Production	Fishing, Hunting and Trapping	Forestry and Logging	Mining, Oil and Gas Extraction	Manufacturing	Construction	Utilities	Transportation and Warehousing	Wholesale and Retail Trade	Finance, Insurance and Real Estate	Other Services	Public Administration and Defence	Total GDP
						(millions of 1997 $)							
1997..	968	201	3,610	2,646	11,479	6,434	2,468	6,590	10,982	23,606	29,807	5,764	104,554
1998..	917	131	3,683	2,855	11,323	5,895	2,526	6,607	11,735	23,912	30,720	5,849	106,151
1999..	999	104	3,454	2,803	12,773	5,826	2,599	6,696	11,866	24,465	31,352	5,915	108,851
2000..	1,049	96	3,480	3,199	13,431	5,879	2,645	6,898	12,392	25,396	33,116	5,968	113,550
2001..	1,059	97	3,292	3,450	12,058	5,905	2,461	6,754	12,567	26,214	34,528	6,154	114,539
2002..	1,073	101	3,192	3,203	12,249	5,804	2,507	6,763	13,418	27,144	35,238	6,195	116,888
						(annual percentage change)							
1998..	-5.3	-35.0	2.0	7.9	-1.4	-8.4	2.3	0.3	6.9	1.3	3.1	1.5	1.5
1999..	9.0	-20.4	-6.2	-1.8	12.8	-1.2	2.9	1.3	1.1	2.3	2.1	1.1	2.5
2000..	5.0	-7.5	0.8	14.1	5.2	0.9	1.8	3.0	4.4	3.8	5.6	0.9	4.3
2001..	0.9	0.5	-5.4	7.8	-10.2	0.5	-7.0	-2.1	1.4	3.2	4.3	3.1	0.9
2002..	1.3	5.0	-3.0	-7.1	1.6	-1.7	1.9	0.1	6.8	3.5	2.1	0.7	2.1

Source: Statistics Canada

Table A1.4 British Columbia GDP, Income Based

	Labour Income	Corporation Profits before Taxes	Interest and Miscellaneous Investment Income	Accrued Net Income of Farm Operators	Net Income of Non-farm unincorporated Business	Inventory Valuation Adjustment	Net Domestic Product at Basic Prices	Indirect Taxes less Subsidies	Capital Cons. Allowances and Misc. Valuation Adjustments	Statistical Discrepency	GDP at Market Prices	GDP at Basic Prices
						($ millions)						
1997..	60,681	8,286	8,444	89	7,780	101	90,040	14,480	14,526	-4	114,383	104,562
1998..	61,965	7,335	8,355	166	8,285	-24	90,860	14,515	15,050	-6	115,641	105,904
1999..	64,045	9,121	8,406	187	8,660	-408	94,829	14,980	15,611	-3	120,599	110,437
2000..	68,369	10,300	10,302	188	8,908	-487	102,453	15,544	16,178	54	129,356	118,685
2001..	69,882	10,009	8,344	319	9,167	-23	102,600	15,908	16,958	295	130,859	119,853
2002..	71,348	9,821	9,225	266	9,691	-356	104,796	16,486	17,676	208	134,365	122,680
						(annual percentage change)						
1998..	2.1	-11.5	-1.1	86.5	6.5	-123.8	0.9	0.2	3.6	50.0	1.1	1.3
1999..	3.4	24.3	0.6	12.7	4.5	1,600.0	4.4	3.2	3.7	-50.0	4.3	4.3
2000..	6.8	12.9	22.6	0.5	2.9	19.4	8.0	3.8	3.6	-1,900.0	7.3	7.5
2001..	2.2	-2.8	-19.0	69.7	2.9	-95.3	0.1	2.3	4.8	446.3	1.2	1.0
2002..	2.1	-1.9	10.6	-16.6	5.7	1,447.8	2.1	3.6	4.2	-29.5	2.7	2.4

Source: Statistics Canada

Table A1.5 Employment by Industry in British Columbia

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
						(thousands)					
Total - all industries	**1,620**	**1,676**	**1,754**	**1,792**	**1,821**	**1,869**	**1,870**	**1,906**	**1,949**	**1,942**	**1,973**
Primary industries	79	79	80	81	85	88	84	78	85	69	69
Agriculture	*31*	*34*	*31*	*26*	*30*	*33*	*33*	*29*	*30*	*26*	*30*
Forestry	*27*	*26*	*31*	*36*	*32*	*33*	*30*	*30*	*37*	*26*	*26*
Fishing and trapping	*5*	*6*	*6*	*5*	*5*	*5*	*4*	*4*	*5*	*5*	*3*
Mining	*16*	*12*	*12*	*14*	*18*	*17*	*17*	*15*	*13*	*12*	*10*
Manufacturing	168	179	184	189	195	197	196	192	205	196	197
Food, beverages & tobacco	*21*	*22*	*27*	*22*	*24*	*26*	*26*	*22*	*24*	*26*	*27*
Wood products	*46*	*49*	*50*	*43*	*44*	*45*	*44*	*42*	*47*	*50*	*45*
Paper	*21*	*22*	*21*	*24*	*23*	*23*	*23*	*22*	*18*	*15*	*17*
Printing & related support activities	*9*	*8*	*9*	*9*	*12*	*10*	*8*	*9*	*11*	*8*	*9*
Primary metals	*7*	*8*	*9*	*12*	*12*	*9*	*9*	*9*	*11*	*8*	*6*
Metal fabrication	*10*	*9*	*9*	*10*	*9*	*11*	*11*	*12*	*13*	*13*	*13*
Transportation equipment	*8*	*7*	*8*	*9*	*9*	*13*	*13*	*13*	*13*	*10*	*13*
Other manufacturing	*47*	*55*	*51*	*60*	*63*	*62*	*64*	*63*	*70*	*66*	*67*
Construction	114	114	126	125	120	123	118	115	113	115	121
General contractors	*43*	*42*	*47*	*44*	*42*	*39*	*37*	*42*	*42*	*41*	*41*
Special trade contractors	*72*	*72*	*78*	*82*	*77*	*84*	*81*	*74*	*71*	*74*	*79*
Utilities	11	12	13	11	11	10	11	12	11	12	12
Transportation and warehousing	101	101	99	97	99	109	106	118	114	107	110
Transportation	*99*	*95*	*96*	*93*	*96*	*103*	*103*	*114*	*111*	*103*	*105*
Warehousing and storage	*2*	*5*	*3*	*4*	*4*	*6*	*3*	*4*	*3*	*4*	*5*
Trade	265	275	289	300	294	302	294	309	303	310	319
Wholesale trade	*60*	*64*	*64*	*66*	*68*	*71*	*62*	*80*	*67*	*69*	*73*
Retail trade	*205*	*211*	*226*	*234*	*226*	*230*	*233*	*229*	*236*	*241*	*246*
Finance, Insurance, Real Estate & Leasing	109	114	118	118	124	127	123	120	120	116	119
Finance	*42*	*47*	*48*	*48*	*51*	*56*	*53*	*54*	*53*	*54*	*54*
Insurance	*24*	*22*	*25*	*22*	*24*	*27*	*24*	*23*	*28*	*24*	*23*
Real Estate	*35*	*35*	*35*	*38*	*39*	*33*	*38*	*34*	*30*	*27*	*31*
Leasing	*9*	*10*	*10*	*10*	*10*	*11*	*8*	*10*	*9*	*12*	*11*
Service industries	674	700	746	769	787	814	845	873	908	929	942
Education and related services	*106*	*113*	*120*	*123*	*118*	*122*	*120*	*128*	*135*	*136*	*140*
Health and welfare services	*163*	*164*	*171*	*177*	*183*	*190*	*195*	*195*	*202*	*204*	*217*
Information, culture & recreation	*65*	*67*	*79*	*86*	*85*	*89*	*94*	*92*	*99*	*106*	*106*
Services to business management	*127*	*142*	*154*	*157*	*166*	*175*	*190*	*201*	*208*	*215*	*211*
Accommodation and food services	*131*	*121*	*129*	*135*	*143*	*145*	*152*	*153*	*164*	*171*	*171*
Miscellaneous services	*82*	*92*	*93*	*91*	*92*	*93*	*94*	*105*	*99*	*98*	*97*
Public administration	99	101	100	104	107	100	93	90	90	89	85
Federal administration	*35*	*34*	*33*	*33*	*37*	*34*	*29*	*32*	*32*	*30*	*31*
Provincial administration	*33*	*30*	*34*	*38*	*36*	*32*	*29*	*28*	*26*	*32*	*26*
Local administration	*32*	*38*	*33*	*34*	*34*	*34*	*35*	*31*	*31*	*27*	*28*

Source: Statistics Canada, Labour Force Survey (unpublished data).

Table A1.6 Capital Investment by Industry

	Actual 1998	Actual 1999	Actual 2000	Actual 2001	Preliminary Actual 2002	Preliminary Intentions 2003	2001 to 2002	2002 to 2003
			($ millions)				(per cent)	
Agriculture, forestry, fishing and hunting	426.6	346.1	353.8	293.1	289.8	331.7	-1.1	14.5
Mining, quarrying and oil well industries	1,723.2	1,126.4	1,749.0	2,917.9	1,867.6	2,008.6	-36.0	7.5
Manufacturing	1,187.1	1,249.2	1,355.0	1,268.0	1,060.8	1,271.8	-16.3	19.9
Construction	296.8	268.2	250.9	264.1	277.8	293.3	5.2	5.6
Transport & warehousing	1,767.9	2,024.9	2,231.8	1,950.8	2,097.1	1,854.7	7.5	-11.6
Utilities	908.2	874.9	832.7	935.2	1,188.6	1,316.6	27.1	10.8
Wholesale	66.1	50.0	71.2	79.2	59.9	63.9	-24.4	6.7
Retail trade	643.5	726.7	819.8	843.9	774.6	820.7	-8.2	6.0
Finance and insurance	1,627.8	1,827.2	1,605.2	1,419.1	1,082.6	1,195.7	-23.7	10.4
Real estate, rental and leasing	1,401.7	1,273.1	1,310.7	1,382.0	1,240.0	1,291.4	-10.3	4.1
Information and cultural industries	n.a.	1,150.1	961.3	1,403.5	1,011.7	905.9	-27.9	-10.5
Professional, scientific and technical	335.6	226.8	272.6	285.6	255.5	268.4	-10.5	5.0
Management of companies and enterprises	n.a.	38.8	15.8	28.7	20.2	21.5	-29.6	6.4
Admin, waste and remediation services	109.3	112.9	78.3	106.7	69.4	77.4	-35.0	11.5
Arts, entertainment and recreation	85.2	105.2	83.0	111.2	79.9	107.2	-28.1	34.2
Accommodation and food services	295.8	247.9	230.5	213.9	232.4	220.5	8.6	-5.1
Education services	487.5	654.2	667.7	616.3	735.0	743.8	19.3	1.2
Health services	219.5	420.8	439.1	540.4	670.5	680.0	24.1	1.4
Public administration	1,756.6	2,276.4	2,102.1	2,131.3	2,225.4	2,302.5	4.4	3.5
Other services	109.1	148.0	137.9	159.1	172.9	163.0	8.7	-5.7
Housing	5,860.4	5,209.9	5,185.8	5,705.6	6,176.8	6,709.4	8.3	8.6
Total [1]	**20,642.8**	**20,651.6**	**21,025.4**	**22,934.3**	**21,852.8**	**22,965.9**	**-4.7**	**5.1**
Public	3,723.8	4,612.3	4,617.6	4,543.2	5,062.5	5,227.4	11.4	3.3
Private	16,918.9	16,039.3	16,407.8	18,391.1	16,790.3	17,738.6	-8.7	5.6
Total	**20,642.8**	**20,651.6**	**21,025.4**	**22,934.3**	**21,852.8**	**22,965.9**	**-4.7**	**5.1**
Machinery and equipment	8,028.0	7,841.3	8,359.4	8,869.1	8,439.3	8,831.6	-4.8	4.6
Construction	12,614.8	12,810.4	12,666.0	14,065.1	13,413.6	14,134.3	-4.6	5.4
Total	**20,642.8**	**20,651.6**	**21,025.4**	**22,934.3**	**21,852.8**	**22,965.9**	**-4.7**	**5.1**

Note: Totals may not add due to rounding.

[1] Totals may not add due to some data not being disclosed for confidentiality reasons

Source: Statistics Canada.

Table A1.7 British Columbia International Goods Exports by Major Market and Selected Commodities, 2002

Commodity	U.S.	Japan	European Union [1]	Other Markets	Total - All Countries
			($ millions)		
Solid wood products	6,963	1,761	232	332	9,288
Lumber (softwood)	4,622	1,242	213	266	6,343
Cedar shakes and shingles	294	0	2	3	299
Plywood (softwood)	350	45	8	2	405
Other panel products	500	33	1	7	541
Selected value-added wood products	809	138	4	22	973
Other	388	302	4	34	728
Pulp and paper products	2,284	464	903	1,418	5,069
Pulp	620	299	864	1,028	2,811
Newsprint	411	136	0	131	678
Paper, paperboard - excluding newsprint	1,126	26	38	241	1,431
Other	126	3	1	19	149
Agriculture and food other than fish	1,070	123	35	196	1,424
Fruit and nuts	128	11	3	12	154
Vegetables	192	11	4	13	220
Other	750	101	28	171	1,050
Fish products	676	198	47	93	1,014
Whole fish; fresh, chilled, frozen - excluding salmon	124	54	12	8	198
Whole salmon; fresh, chilled, frozen	291	15	0	6	312
Salmon; canned, smoked, etc	5	2	32	14	53
Other	257	127	3	64	451
Metallic mineral products	417	563	30	410	1,420
Copper ores and concentrates	12	186	0	151	349
Molybdenum ores and concentrates	14	37	28	8	87
Unwrought aluminum	72	231	1	148	452
Unwrought zinc	241	3	0	67	311
Other	78	107	1	34	220
Energy products	2,275	487	297	460	3,519
Natural gas	1,693	0	0	0	1,693
Coal	133	486	297	457	1,373
Electricity	288	0	0	0	288
Other	162	1	0	2	165
Machinery and equipment	2,725	94	202	318	3,339
Motor vehicles and parts	606	7	8	33	654
Electrical/electronic/communications	422	42	49	68	581
Other	1,697	45	145	216	2,103
Plastics and articles of plastic	459	2	7	18	486
Apparel and accessories	197	3	3	3	206
All other commodities	2,438	176	40	424	3,078
Total	**19,504**	**3,869**	**1,796**	**3,674**	**28,843**

[1] Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom.

Source: BC STATS

Table A1.8 British Columbia International Goods Exports by Market Area, 2002

	2000	2001	2002	Change 2001-2002	Percent of Total 2001	2002
		($ millions)			(per cent)	
United Kingdom	381	354	337	-4.8	1.1	1.2
Germany	534	381	320	-16.0	1.2	1.1
People's Republic of China	741	761	843	10.8	2.4	2.9
Hong Kong	299	236	228	-3.4	0.7	0.8
Taiwan	422	333	354	6.3	1.0	1.2
Japan	4,890	4,058	3,869	-4.7	12.8	13.4
South Korea	930	758	764	0.8	2.4	2.6
India	99	118	120	1.7	0.4	0.4
Australia	251	172	187	8.7	0.5	0.6
Mexico	58	83	81	-2.4	0.3	0.3
United States	22,196	22,110	19,504	-11.8	69.6	67.6
Other	2,948	2,416	2,235	-7.5	7.6	7.7
Total	**33,749**	**31,780**	**28,843**	**-9.2**	**100.0**	**100.0**
Market Areas:						
Western Europe [1]	2,611	2,148	1,838	-14.4	6.8	6.4
Pacific Rim [2]	8,176	6,689	6,701	0.2	21.0	23.2

[1] Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom.

[2] Australia, Brunei Darussalam, China, Fiji, Hong Kong, Indonesia, Japan, Laos, Macau, Malaysia, Mongolia, New Zealand, North Korea, Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam.

Source: BC STATS

Table A1.9 Historical Commodity Prices (in U.S. Dollars)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Change 2001 to 2002
Metals											(per cent)
Copper (London; $/lb)	0.87	1.05	1.33	1.04	1.03	0.75	0.71	0.82	0.72	0.71	-1.2
Lead (London; $/lb)	0.18	0.25	0.28	0.35	0.28	0.24	0.23	0.21	0.22	0.21	-4.5
Zinc (London; $/lb)	0.46	0.49	0.53	0.51	0.65	0.51	0.53	0.56	0.44	0.35	-20.5
Gold (London; $/troy oz)	360	384	384	388	331	294	279	280	271	310	14.4
Silver (London; $/troy oz)	4.30	5.28	5.21	5.18	4.89	5.53	5.25	5.00	4.39	4.60	4.8
Molybdenum ($/lb)	2.28	4.50	7.42	3.61	4.18	3.31	2.65	2.51	2.31	3.59	55.4
Aluminum (London; $/lb)	0.52	0.67	0.82	0.68	0.73	0.62	0.62	0.69	0.65	0.61	-6.2
Forest Products											
Lumber (Madison's Lumber Reporter; WSPF, $/1000 bd ft)	333	342	251	351	353	287	342	256	248	235	-5.3
Pulp (Northern Europe; $/tonne; transaction price)	427	573	883	590	566	515	523	681	543	463	-14.6
Newsprint (Pulp and Paper Week; $/tonne)	442	465	674	652	560	595	513	564	588	468	-20.4
Hemlock baby squares (Madison's Lumber Reporter; 3 9/16")	804	852	862	796	821	556	585	566	583	593	1.7
Other											
Oil (West Texas Intermediate; $/barrel)	18	17	18	22	21	14	19	30	26	26	0.7
Natural Gas (Sumas; $/Mmbtu)	1.89	1.60	1.03	1.33	1.72	1.61	2.15	4.17	4.58	2.68	-41.5
Electricity (Mid Columbia Index in US$/MW.h)	---	---	---	---	---	---	27	138	143	24	-83.2

Source: Ministry of Finance, Ministry of Energy and Mines

Table A1.10 British Columbia Forest Sector Economic Activity Indicators

Indicator	1998	1999	2000	2001	2002	Change [1] 2001-2002
Wood production		(million cubic meters)				(per cent)
Timber scaled	65.0	76.0	77.0	72.0	73.4	1.9
Lumber	30.2	32.4	32.4	30.2	33.6	11.3
Plywood	1.39	1.54	1.54	1.57	1.68	7.2
Timber scaled by species		(million tonnes)				
Lodgepole pine	17.7	22.0	22.2	22.9	n.a.	
Spruce	12.3	12.5	12.1	12.4	n.a.	
Hemlock	8.4	10.5	11.0	8.3	n.a.	
Douglas fir	8.4	11.0	10.6	10.8	n.a.	
Balsam	8.0	8.8	8.9	7.1	n.a.	
Cedar	6.1	6.6	7.3	6.2	n.a.	
All others	4.1	4.6	4.9	4.5	n.a.	
Total [2]	**65.0**	**76.0**	**77.0**	**72.2**	**n.a.**	
		(million tonnes)				
Pulp and paper production	7.03	8.01	8.29	7.59	7.39	-2.6
Market pulp	4.46	5.00	5.15	4.71	4.49	-4.7
Newsprint, paper and paperboard	2.57	3.02	3.13	2.88	3.00	4.2
Industrial product price indices		(1997=100)				
Softwood lumber -- British Columbia	86.3	100.2	83.2	82.6	81.7	-1.1
Douglas fir plywood	92.5	109.4	94.8	94.4	104.2	10.4
Bleached sulphate pulp	97.8	99.4	127.7	105.7	96.1	-9.1
Newsprint for export	111.6	96.3	105.4	123.0	96.2	-21.8

[1] Percentage change based on unrounded numbers.

[2] Total may not add due to rounding.

Sources: Timber harvest -- Ministry of Forests
Lumber and plywood production -- Statistics Canada
Pulp and paper production -- Canadian Pulp and Paper Association
Industrial product price indices -- Statistics Canada

Table A1.11 Historical Value of Mineral, Petroleum and Natural Gas Production

Year	Metals	Industrial Materials	Construction Aggregates	Coal	Crude Oil [1]	Natural Gas to Pipeline	Other oil and Gas [2]	Total
				($ millions)				
1989	1,757	125	297	1,001	263	495	25	**3,963**
1990	1,559	119	313	980	319	537	43	**3,870**
1991	1,419	86	312	938	260	562	36	**3,613**
1992	1,438	45	305	749	260	592	38	**3,427**
1993	1,198	41	335	797	233	814	42	**3,460**
1994	1,354	47	370	905	235	991	44	**3,946**
1995	2,016	58	395	968	272	710	58	**4,477**
1996	1,537	42	398	1,110	441	817	75	**4,420**
1997	1,495	47	398	1,191	403	1,087	98	**4,719**
1998	1,484	49	404	1,088	373	1,154	47	**4,598**
1999	1,183	51	416	915	461	1,577	53	**4,656**
2000	1,571	50	458	800	843	3,826	114	**7,662**
2001	1,394	56	457	959	729	4,834	103	**8,532**
2002 e	1,248	49	493	1,024	703	3,471	82	**7,070**

e Estimate.

[1] Includes Pentanes and Condensate.

[2] LPG's and Sulphur.

Sources: Natural Resources Canada and Ministry of Energy and Mines

Table A1.12 Petroleum and Natural Gas Activity Indicators

Indicator	Unit of Measure	1998	1999	2000	2001	2002	Change 2001-2002
							(per cent)
Natural gas production (wellhead) [1]	(billion cubic m)	25.3	25.9	26.6	29.9	32.4	8.4
Crude oil and condensate	(million cubic m)	2.8	2.4	2.7	2.6	2.6	0.0
Wells authorized	(number)	695	828	1010	977	876	-10.3
Wells drilled	(number)	652	620	770	875	643	-26.5
Seismic crew-weeks	(number)	112	105	140	167	160	-4.2
Provincial reserves							
Marketable gas (remaining reserves)	(billion cubic m)	226	237	240	252	255	1.0
Oil (remaining reserves)	(million cubic m)	25.0	26.0	27.4	25.5	22.6	-11.4
Provincial government petroleum and natural gas revenue [2]	($ millions)	379.6	587.3	1,306.2	1,731.1	1,232.6	-28.8

[1] Includes gas retrieved from storage. During 2002, 1 billion m^3 were produced from storage wells.

[2] Includes Crown royalties, Crown reserve disposition bonuses, fees and rentals.

Source: Ministry of Energy and Mines

Table A1.13 Supply and Consumption of Electrical Energy in British Columbia

	Supply					Consumption	
	Net Generation						
Year	Hydro	Thermal	Total Provincial Generation	Receipts From Other Provinces and Imports	Total Provincial Supply	Delivered To Other Provinces and Exports	Total Provincial Consumption
	(gigawatt-hours [1])						
1984	50,243	2,126	52,369	1,556	53,925	8,313	45,612
1985	57,105	2,022	59,126	1,080	60,207	11,231	48,975
1986	48,923	1,836	50,759	3,345	54,104	4,709	49,395
1987	61,057	2,010	63,066	1,203	64,269	13,336	50,934
1988	58,573	2,370	60,943	2,351	63,293	9,215	54,078
1989	51,082	6,573	57,655	4,500	62,155	6,583	55,572
1990	57,245	3,417	60,662	3,233	63,895	6,689	57,206
1991	60,149	2,832	62,981	2,272	65,253	7,725	57,528
1992	60,555	3,503	64,058	2,685	66,743	9,473	57,270
1993	53,057	5,716	58,774	5,691	64,465	5,605	58,860
1994	53,979	7,036	61,015	7,836	68,851	9,541	59,311
1995	49,814	8,192	58,006	6,385	64,391	3,972	60,419
1996	67,329	4,436	71,765	3,289	75,053	10,390	64,664
1997	61,772	5,189	66,961	4,316	71,278	12,114	59,163
1998	60,849	6,861	67,710	5,056	72,766	10,619	62,147
1999	61,588	6,457	68,045	6,807	74,852	12,529	62,323
2000	59,754	8,487	68,241	6,039	74,280	10,698	63,582
2001	48,338	8,994	57,332	10,154	67,486	6,408	61,079
2002	58,660	6,227	64,888	5,793	70,680	8,168	62,512

[1] Gigawatt-hour = one million kilowatt-hours.

Source: Statistics Canada

Table A1.14 British Columbia High-Technology Sector Activity

Indicator	1995	1996	1997	1998	1999	2000	2001	Change 2000-2001
								(per cent)
Number of Establishments[1]								
Manufacturing				973	875	863	830	-3.8
Services				3,899	4,146	4,528	4,622	2.1
Total				**4,872**	**5,021**	**5,391**	**5,452**	**1.1**
Employment (persons)								
Manufacturing	9,000	9,330	10,940	11,840	14,440	15,890	15,730	-1.0
Services	22,560	21,830	23,640	21,970	24,270	27,410	29,820	8.8
Total	**31,560**	**31,160**	**34,570**	**33,810**	**38,710**	**43,290**	**45,550**	**5.2**
Wages and Salaries ($ millions)								
Manufacturing	320	351	422	488	618	690	676	-2.1
Services	1,116	1,095	1,228	1,140	1,294	1,511	1,609	6.5
Total	**1,436**	**1,446**	**1,651**	**1,628**	**1,912**	**2,201**	**2,285**	**3.8**
Real GDP ($ 1997 millions)	2,297	2,236	2,608	2,817	3,016	3,441	3,302	-4.0
Nominal GDP ($ millions)	2,283	2,179	2,608	2,716	2,961	3,435	3,449	0.4
Revenues ($ millions)	3,773	4,143	4,780	4,990	5,683	6,278	6,045	-3.7
Exports ($ millions)	562	663	837	1,011	1,065	1,133	979	-13.6

[1] Data not available prior to 1998.

Source: BC STATS

Chapter Two
Financial Review[1]

[1] Financial information presented in this chapter is based on *2002-03 Public Accounts* information. Figures are consistent with the government's organization and accounting policies effective March 31, 2003, and for comparative purposes, information for prior years has been restated where practical.

2002/03 Overview

The provincial government recorded a $3.2 billion deficit in 2002/03, an improvement of $1.2 billion compared to the budget estimate of a $4.4 billion deficit.

Table 2.1 2002/03 Operating Results

	Budget 2002/03	Actual 2002/03	Actual 2001/02 [1]
		($ millions)	
Consolidated revenue fund (CRF):			
Revenue	22,038	22,147	22,894
Expenditure	(25,556)	(25,196)	(24,897)
Wind-up of Forest Renewal BC and Fisheries Renewal BC	-	-	256
CRF balance	**(3,518)**	**(3,049)**	**(1,747)**
Crown corporations and agencies:			
Taxpayer-supported	(206)	(229)	(518)
Self-supported commercial	74	109	(484)
Total net contribution (loss) of Crown corporations and agencies	**(132)**	**(120)**	**(1,002)**
Subtotal	**(3,650)**	**(3,169)**	**(2,749)**
Forecast allowance	(750)	-	-
(Deficit) surplus before joint trusteeship	**(4,400)**	**(3,169)**	**(2,749)**
Joint trusteeship (one-time adjustment)	-	-	1,464
Summary accounts (deficit) surplus	**(4,400)**	**(3,169)**	**(1,285)**

[1] Restated to reflect accounting policy changes in 2002/03 for certain CRF revenues and expenses. See notes to Tables 2.3 and 2.4.

The final deficit amount included:

- a CRF shortfall of $3,049 million and
- combined Crown corporation net losses of $120 million (after contributions paid to the CRF).

In 2002/03, CRF revenue totalled $22.1 billion, $109 million above budget and down 3.3 per cent from 2001/02. Higher revenue from energy and forestry resources, property transfer tax, and contributions from Crown corporations and the federal government was partially offset by reduced revenue from personal and corporation income taxes resulting from over $450 million in lower 2001 tax assessment information. Table 2.3 and Appendix Table A2.6a provide further details.

An additional $790 million of dedicated revenue was collected on behalf of, and transferred to, certain Crown corporations, agencies and other external public bodies in 2002/03. Dedicated revenues, except for amounts collected on behalf of other government jurisdictions, are included in the operating results of Crown corporations. Appendix Table A2.6b provides details of the dedicated revenue transfers.

CRF expenses were $360 million less than budget, reflecting lower spending by ministries and reduced debt interest costs, partially offset by a one-time

$275 million provision for forestry revitalization. Before the forestry revitalization provision, ministry and debt interest savings totalled $635 million.

Combined Crown corporation net losses (after adjustments) were $12 million lower than budget, as the one-time costs of transferring BC Ferries to an independent authority were more than offset by improved results from ICBC and other Crown corporations.

Table 2.2 summarizes the major changes from the 2002/03 budget.

Table 2.2 Summary of Changes from Budget 2002/03

	Change		Final Results
	($ millions)		
Budget deficit - 2002/03 *Estimates*			**(4,400)**
Consolidated revenue fund (CRF) changes:			
Revenue changes:			
- Personal income tax - adjustment to 2001 and prior-year personal income tax	(311)		
- Personal income tax - lower base and personal income growth in 2002	(389)		
- Corporation income tax - weaker 2001 tax assessments and higher tax credits	(166)		
- Property transfer taxes - strong housing market	110		
- Other taxes	17		
- Energy-related sources - higher prices	212		
- Forests - higher harvest volumes	178		
- Medical Service Plan premiums	59		
- BC Hydro dividend payment to CRF	55		
- Equalization, partly offset by lower CHST	344	109	
Spending changes:			
- Ministry of Human Resources savings	171		
- Ministry of Health Services savings	26		
- Ministry of Attorney General savings	25		
- Other ministry savings	91		
- Contingencies savings	113		
- Lower debt interest costs	209		
- Forestry revitalization	(275)	360	**469**
Crown corporation changes:			
Taxpayer-supported:			
- BC Buildings - higher net income / accounting policy adjustment (revenue recognition)	43		
- BC Ferries - costs resulting from transfer to new authority:			
- write-down of *PacifiCats* value to sale proceeds	(53)		
- transfer of *PacifiCat* sale proceeds to the CRF	(18)		
- write-down of previous capital grants	(77)		
- BC Transportation Financing Authority - lower interest costs	36		
- Other changes and adjustments	46	(23)	
Self-supported commercial:			
- BC Hydro - higher contribution paid to CRF	(55)		
- BC Rail - improved results for rail operations	34		
- loss on sale of discontinued operations	(132)		
- accounting for differences in fiscal year-ends	87		
- ICBC - improved operating results	55		
- accounting for differences in fiscal year-ends	35		
- Other changes and adjustments	11	35	**12**
Deficit before forecast allowance			**(3,919)**
Forecast allowance - not needed			**750**
Actual deficit - 2002/03 *Public Accounts*			**(3,169)**

The 2002/03 deficit of $3.2 billion contrasts with a $1.3 billion deficit recorded in 2001/02 (see Table 2.1). The difference is primarily due to the one-time $1.4 billion joint trusteeship adjustment recorded in 2001/02. Excluding this adjustment, the 2001/02 deficit was $2.7 billion. The remaining change reflects a 3.3 per cent decrease in CRF revenue and a 1.2 per cent increase in CRF spending, partially offset by improved Crown corporation results.

The 2002/03 deficit was $631 million lower than the third quarter forecast released with the 2003/04 budget on February 18, 2003. This reflects:

- $54 million of additional CRF revenue due to better-than-expected performance in last quarter natural resources revenue, partially offset by reduced federal government transfers;
- a $216 million reduction in CRF spending as many ministries and the contingencies vote spent less than forecast. Debt interest costs were also lower than forecast reflecting reduced borrowing needs and lower interest rates;
- a $61 million improvement in Crown corporation finances as better year-end results for ICBC and improvements in various taxpayer-supported Crown corporations more than offset the write-down of the *PacifiCat* ferries; and
- a $300 million forecast allowance included in the third quarter forecast was not needed.

Further details on changes from the February 2003 updated forecast are provided in Appendix Table A2.4.

Consolidated Revenue Fund Revenue

Major changes from budget include:

- Personal income tax was $700 million below budget and down 23 per cent from last year. Weaker-than-assumed final assessments for the 2001 tax year resulted in a $311 million reduction in revenue. The remainder of the variance reflects the resultant effect of the lower tax base and slower personal income growth in 2002.
- Corporation income tax was $166 million below budget mainly due to weaker-than-expected final tax assessments for the 2001 tax year. This was a result of lower assessments from corporations paying the general tax rate, and higher tax credits.
- Property transfer tax was $110 million above budget and 34 per cent higher than 2001/02 due to the strong housing market during the year. In the 2002/03 fiscal year, residential unit sales were 7.6 per cent higher, the average selling price was 6.7 per cent higher and housing starts were 27 per cent higher than 2001/02.
- Other taxes were $17 million above budget. The effects of stronger collections for property, corporation capital, insurance premium, and hotel room taxes were partially offset by weaker revenue from social service, tobacco and fuel taxes.
- Revenue from energy related sources (natural gas and petroleum royalties, permit and fees, minerals and sales of electricity under the Columbia

River treaty) was $212 million above budget mainly due to higher average energy prices during the year. In 2002/03, prices for natural gas ($4.20 Cdn/gigajoule at plant inlet), oil ($29 US/bbl at Cushing) and electricity ($29 US/MWh, mid Columbia price index) were all higher than the budget assumptions of $3.65/gigajoule, $20 US/bbl and $24 US/MWh, respectively.

- Forests revenue was $178 million above budget primarily due to higher-than-budgeted harvest volumes. Overall harvest volumes were 10.3 million cubic metres or 18 per cent higher than budget and 17 per cent higher than 2001/02 reflecting industry's resolve to lower its average costs and increase its market share. In particular, harvest volumes under the Small Business Forest Enterprise Program at 10.9 million cubic metres were 3.5 million cubic metres or 47 per cent higher than budget.
- Other revenue was $12 million above budget as higher revenue from Medical Service Plan premiums and miscellaneous sources was partly offset by lower revenue from other fees and licences, investment earnings and higher allowance for doubtful accounts.
- Contributions from government enterprises were $97 million above budget mainly due to a $55 million improvement in BC Hydro's CRF dividend. An unexpected $18 million contribution from BC Ferries reflects the net proceeds from the disposition of the three *PacifiCat* vessels.
- Contributions from the federal government were $337 million above budget mainly due to equalization payments from the federal government which were not included in the budget, partly offset by reduced Canada health and social transfer entitlement.

  In 2002/03, the method of recording equalization revenue changed from a cash basis to an accrual basis. This resulted in prior period restatements for 1999/00 (up $125 million) and 2001/02 (down $68 million), and decreased 2002/03 revenue of $57 million.

Consolidated Revenue Fund Expense

At the completion of the first year of the government's first three-year fiscal plan all ministers have met their individual responsibility for controlling government spending. All operating expenses, as identified in the Summary of Ministerial Accountability for Operating Expenses — Schedule 1 of the 2002/03 *Estimates*, were at or below the targets set out under the *Balanced Budget and Ministerial Accountability Act* (see the Ministerial Accountability Report topic box).

Expenses totalled $25.2 billion in 2002/03, $360 million below budget and 1.2 per cent higher than 2001/02. Excluding $188 million of one-time restructuring exit costs, expenses totalled $25.0 billion, 1.1 per cent higher than the previous year.

Major budget variances included:

- $171 million below budget spending in the Ministry of Human Resources;
- $142 million below budget spending in other ministries and appropriations;
- $113 million of unused contingencies vote funding;

Table 2.3 Revenue by Source
Consolidated Revenue Fund [1]

	Budget 2002/03	Actual 2002/03	Actual 2001/02	Annual Change
Taxation Revenue:		($ millions)		(per cent)
Personal income	4,854	4,154	5,375	(22.7)
Corporation income	779	613	1,522	(59.7)
Social service	3,802	3,770	3,535	6.6
Fuel	395	393	398	(1.3)
Property	1,425	1,457	1,401	4.0
Property transfer	297	407	303	34.3
Other	1,088	1,125	1,190	(5.5)
Less commissions on collection of public funds	(30)	(32)	(36)	(11.1)
Less allowance for doubtful accounts	(25)	(41)	(36)	13.9
	12,585	**11,846**	13,652	(13.2)
Natural Resource Revenue:				
Natural gas and petroleum	1,301	1,504	1,299	15.8
Columbia River Treaty	85	100	360	(72.2)
Minerals	69	63	53	18.9
Forests	1,145	1,323	1,109	19.3
Water resources	251	257	284	(9.5)
Wildlife Act - fees and licences	14	14	15	(6.7)
Less commissions on collection of public funds	(1)	(1)	(1)	-
Less allowance for doubtful accounts	(11)	(5)	(11)	(54.5)
	2,853	**3,255**	3,108	4.7
Other Revenue:				
Medical Services Plan premiums	1,299	1,358	955	42.2
Other fees and licences	705	691	685	0.9
Investment earnings	50	18	64	(71.9)
Miscellaneous	220	245	259	(5.4)
Asset dispositions	-	-	42	(100.0)
Less commissions on collection of public funds	(14)	(13)	(11)	18.2
Less allowance for doubtful accounts	(66)	(93)	(84)	10.7
	2,194	**2,206**	1,910	15.5
Contributions from Government Enterprises: [2]				
Liquor Distribution Branch	640	654	637	2.7
British Columbia Hydro and Power Authority	283	338	332	1.8
British Columbia Lottery Corporation	476	489	449	8.9
Other	21	36	19	89.5
	1,420	**1,517**	1,437	5.6
Contributions from the Federal Government:				
Canada health and social transfer	2,805	2,606	2,445	6.6
Equalization [3]	-	543	158	243.7
Other	181	174	184	(5.4)
	2,986	**3,323**	2,787	19.2
Total Revenue	22,038	**22,147**	22,894	(3.3)

[1] Figures based on 2002/03 *Public Accounts* information. Figures exclude dedicated revenue totalling $790 million, collected on behalf of, and transferred to, British Columbia Transit, British Columbia Ferry Corporation, BC Transportation Financing Authority, Greater Vancouver Transportation Authority (*Translink*), Forest Renewal BC, British Columbia Oil and Gas Commission, Tourism British Columbia and other entities. These revenues are included as part of the operations of Crown corporations and agencies with the exception of *Translink* and certain other public bodies that are not part of the provincial government's summary accounts. Further information is provided in Appendix Table A2.6b.

[2] Payments to the CRF only. See Tables A2.11 to A2.18 for financial statements of major Crown corporations.

[3] Revenue has been restated for prior years reflecting a change in the method of recording equalization entitlement from cash basis to accrual. This has the effect of increasing revenue in 1999/00 by $125 million, and reducing revenue in 2001/02 and 2002/03 by $68 million and $57 million, respectively.

Table 2.4 Expense by Ministry [1]
Consolidated Revenue Fund

	Budget 2002/03 [2]	Allocation of Contingencies [3]	Budget plus Contingencies Allocations [2]	Actual 2002/03	Actual 2001/02 [2]	Annual Change [4]
			($ millions)			(per cent)
Legislation	39	-	39	37	38	(2.5)
Officers of the Legislature	32	-	32	25	45	(44.7)
Office of the Premier	50	1	51	43	54	(21.3)
Advanced Education	1,900	3	1,903	1,897	1,935	(2.0)
Agriculture, Food and Fisheries	64	8	72	72	66	9.3
Attorney General	556	-	556	531	541	(1.9)
Children and Family Development	1,558	11	1,569	1,569	1,525	2.9
Community, Aboriginal and Women's Services	555	-	555	555	518	7.1
Competition, Science and Enterprise	54	4	58	57	73	(21.2)
Education	4,861	-	4,861	4,859	4,840	0.4
Energy and Mines	50	-	50	47	67	(29.4)
Finance	27	-	27	27	26	3.7
Forests	621	3	624	618	481	28.5
Health Planning	17	-	17	16	25	(36.1)
Health Services	10,200	-	10,200	10,174	9,683	5.1
Human Resources	1,789	-	1,789	1,618	1,904	(15.0)
Management Services	48	9	57	56	98	(43.3)
Provincial Revenue	50	4	54	49	54	(8.5)
Public Safety and Solicitor General	506	19	525	525	522	0.5
Skills Development and Labour	29	-	29	24	30	(18.8)
Sustainable Resource Management	118	7	125	125	130	(3.7)
Transportation	739	10	749	748	708	5.7
Water, Land and Air Protection	162	-	162	162	211	(23.1)
Other Appropriations:						
Management of Public Funds and Debt	920	-	920	711	761	(6.7)
BC Family Bonus	91	-	91	88	103	(14.7)
Government Restructuring [5]	230	-	230	212	81	162.5
Contingencies (All Ministries) and New Programs [3]	210	(97)	113	-	-	-
Forestry Restructuring	-	-	-	275	-	-
Skeena Cellulose Inc. Assistance	-	-	-	-	307	(100.0)
Other Appropriations [6]	80	18	98	76	71	8.6
Total Expense [5]	**25,556**	**-**	**25,556**	**25,196**	**24,897**	**1.2**

[1] Figures based on 2002/03 *Public Accounts* information.

[2] Actual figures for 2001/02 and budget figures for 2002/03 have been restated to reflect the government's organization and accounting policy effective March 31, 2003. 2001/02 actual expense has been decreased by $16 million due to a change in the basis for recognizing silviculture liabilities arising under the Small Business Forest Enterprise Program.

[3] Permitted charges to the Contingencies vote fall under the responsibility of the Minister of Finance. For comparative purposes only, charges to the Contingencies vote of $97 million in 2002/03 ($181 million in 2001/02) have been allocated to individual ministry spending.

[4] Percentage change between 2002/03 actual and 2001/02 actual (calculated from unrounded figures).

[5] Includes restructuring exit costs of $188 million ($161 million in 2001/02), funded from the Government Restructuring (All Ministries) vote and ministry budgets (see Appendix Tables A2.10a and A2.10b).

[6] Other Appropriations include: Commissions on Collection of Public Funds and Allowances for Doubtful Revenue Accounts, Environmental Assessment Office, Environmental Boards and Forest Appeals Commission, Forest Practices Board, Public Sector Employers' Council, Seismic Mitigation, Insurance and Risk Management, and Unclaimed Property.

- $209 million of reduced debt interest costs;

partially offset by

- a $275 million funding provision for forestry revitalization.

As a result of effective management of ministry budgets and earlier-than-expected progress in meeting three-year service plan targets, ministries addressed some one-time funding needs in a number of priority areas. This included a one-time special provision of $275 million for costs associated with revitalization of the forestry sector, and commitments to health care, education, children and other priorities.

In 2002/03, five ministries — Health Services, Education, Advanced Education, Human Resources, and Children and Family Development — accounted for about 80 per cent of total CRF expense. Interest payments on the government's direct operating debt accounted for about 3 per cent of expense.

During 2002/03 the contingencies vote funded $97 million of new initiatives and unforeseen requirements. In addition, the government passed legislation to authorize a $275 million provision to support revitalization of the forest sector. Legislation in various programs also provided statutory authority to pay for additional costs.

Significant areas of spending and changes from budget included:

- Ministry of Advanced Education spending was slightly below budget. Spending reflected higher-than-planned contributions to educational institutions and organizations, higher spending for student financial assistance and completion of the provincial commitment to fund Leading Edge Endowments. This was offset by lower interest costs for capital-related debt, amortization and other areas. Compared to the previous year, spending fell 2.0 per cent mainly due to one-time restructuring costs that occurred in 2001/02. Total funded post-secondary full-time equivalent student spaces increased to 157,694 in 2002/03 from 154,991 in the previous year (up 1.7 per cent). Average per student funding increased by 1.3 per cent.
- Ministry of Attorney General was $25 million below budget mainly due to lower-than-expected costs for First Nation treaty arrangements.
- Ministry of Children and Family Development was on budget as savings from some programs were used to fund priority investments such as school based programs, early childhood development and restructuring in community living services and other areas. During the year, the children-in-care average caseload declined 6.5 per cent.
- Ministry of Education spending was slightly below budget. Lower interest costs for capital-related debt and lower amortization expenses helped to provide extra funding for school boards and independent schools at year-end. In 2002/03, public school full-time enrolment declined from 590,554 to 587,247, or 1.2 per cent, while independent school enrolment rose 4.4 per cent from 2001/02. Average per pupil funding for public schools increased by 1.9 per cent.
- Ministry of Forests expense was up $137 million from 2001/02 as higher Small Business Forest Enterprise expenses (due to higher-than-expected

activity) and funding for the new Forest Investment vote were partially offset by lower fire suppression costs. The forest investment program was established to provide for the operation and management of forest investments and international marketing. These services were previously carried out by Forest Renewal BC, which was wound up in 2001/02.

Forestry Revitalization — In March 2003, legislation was passed to provide $275 million to assist in the transition to a sustainable forestry sector. Of this, $200 million has been set aside to provide for compensation to those companies that are returning some of their logging rights to the Crown. As well, the $75 million BC Forestry Revitalization Trust will provide assistance to forest workers and contractors impacted by the forest policy changes.

- Ministry of Health Services was $26 million below budget. Higher regional health sector funding, emergency health care services and Pharmacare costs were offset by lower-than-expected spending for the Medical Services Plan and capital-related debt interest costs. Ministry spending was up 5.1 per cent from 2001/02, reflecting significant increases in most areas.
- Ministry of Human Resources was $171 million below budget and $286 million lower than the previous year. This reflects a continuing downward trend in the employment assistance caseload and average costs per case. The average monthly assistance caseload of 130,524 was 11 per cent below budget and 16 per cent lower than in 2001/02.
- Ministry of Public Safety and Solicitor General met its budget as savings in corrections and other program areas helped offset higher policing costs related to the Port Coquitlam missing persons investigation.
- Ministry of Water, Land and Air Protection spending was on budget and $49 million lower than the previous year mainly due to one-time costs for Britannia Mine site remediation that occurred in 2001/02.
- The Contingencies and New Programs Vote funded $97 million of new initiatives and unforeseen requirements in 2002/03.

Table 2.5 Contingencies and New Programs (All Ministries) Vote - 2002/03 Consolidated Revenue Fund

	($ millions)
Okanagan Valley Tree Fruit Authority transition	7.6
School-based programs	10.5
Pacific National Exhibition contribution	3.7
Seismic mitigation commitments	18.6
Softwood Lumber legal costs	2.8
Increase in workers' compensation liability (public sector share)	7.3
Employee benefits costs	1.7
Juno Beach Memorial	1.0
Lieutenant Governor Awards Fund	0.7
BC Achievements Award Fund	6.0
Missing persons investigation	7.6
Emergency roads repair from flooding	11.8
Muskwa-Kechika trust fund contribution	2.1
Interest liability for tenure compensation (protected areas)	4.9
Public Transit - write-off of deferred capital costs	10.5
Other	0.1
Total	**96.9**

Ministerial Accountability Report

The *Ministerial Accountability Report* is a requirement of the *Balanced Budget and Ministerial Accountability Act (BBMAA)*. This act establishes individual and collective accountability through financial and performance targets. Cabinet ministers are collectively accountable for achieving an overall government bottom-line target. Financial targets for ministers, performance targets for ministers of state and a revenue target for the Minister of Provincial Revenue comprise the individual accountability measures.

During the year, 20 per cent of ministerial salary for the Premier, each minister and minister of state is withheld. Each minister earns back 10 per cent upon meeting his or her individual budget or performance targets, and the remaining 10 per cent if the government as a whole comes in on or under budget.

Based on the audited financial results for the 2002/03 fiscal year, the *Ministerial Accountability Report* compares the expected targets that the Premier and ministers must achieve in order to earn their 20 per cent salary holdback with actual financial or performance results. Under BBMAA, actual financial results are compared to individual ministry and collective bottom-line targets presented in the provincial budget and estimates, and performance results are compared to ministry service plans.

Except for two Ministers of State whose performance measurement data was not available in June 2003, all ministers met their requirements and received their salary holdbacks for 2002/03. Canadian Institute of Health Information data for measuring performance results will not be available until September 2003 for the Ministers of State for Mental Health and for Intermediate, Long-Term and Home Care. A report comparing targets to actual results must be presented prior to the end of the 2003 calendar year before these two ministers are eligible to receive their individual salary holdbacks.

For more information on the *Ministerial Accountability Report*, please refer to the Ministry of Finance Web site at http://www.gov.bc.ca/fin/

Ministerial Accountability Report
Summary of Operational Results

	Targets Met
Individual Accountability - Performance Outcomes	
Minister of State for Intergovernmental Relations	√
Minister of State for Early Childhood Development	√
Minister of State for Community Charter and 2010 Winter Olympic Bid	√
Minister of State for Women's Equality	√
Minister of State for Deregulation	√
Minister of State for Mental Health	Pending**
Minister of State for Intermediate, Long-term and Home Care	Pending**

**Data from the Canadian Institute for Health Information required for measuring performance results for the Ministers of State for Mental Health and for Intermediate, Long-Term and Home Care is not available until the fall. These two ministers are required to report out by December 31, 2003. The Comptroller General will then issue an update to the *Ministerial Accountability Report*.

Ministerial Accountability Report
Summary of Financial Targets and Results

	Expected Result	Actual Result	Targets Met
	$000's	$000's	
Collective Accountability			
Summary Deficit for fiscal 2002/03 (BBMAA)*	4,400,000	3,111,698	√
*Actual result for summary deficit under the BBMAA removes the effect of an in-year $58 million adjustment that results from a change in accounting policy. The BBMAA does not allow accounting policy changes to affect summary deficit figures for which ministers are accountable.			
Individual Accountability - Expenditure Management			
Premier	49,727	41,587	√
Minister of Advanced Education	1,899,696	1,894,051	√
Minister of Agriculture, Food and Fisheries	64,078	64,074	√
Attorney General and Minister Responsible for Treaty Negotiations	556,228	530,762	√
Minister of Children and Family Development	1,558,430	1,558,430	√
Minister of Community, Aboriginal and Women's Services	554,828	554,613	√
Minister of Competition, Science and Enterprise	53,680	53,549	√
Minister of Education	4,861,081	4,859,206	√
Minister of Energy and Mines	50,144	47,012	√
Minister of Finance	1,547,802	1,182,926	√
Minister of Forests	901,541	895,131	√
Minister of Health Planning	16,633	15,953	√
Minister of Health Services	10,202,266	10,175,796	√
Minister of Human Resources	1,789,143	1,618,251	√
Minister of Management Services	47,843	46,776	√
Minister of Public Safety and Solicitor General	506,491	505,243	√
Minister of Skills Development and Labour	28,728	24,030	√
Minister of Sustainable Resource Management	121,416	121,318	√
Minister of Transportation	738,505	738,087	√
Minister of Water, Land and Air Protection	163,480	163,048	√
Individual Accountability - Revenue			
Minister of Provincial Revenue	7,000	150,000	√

- Management of Public Funds and Debt (debt interest) was $209 million below budget due to significantly lower-than-assumed borrowing requirements, lower interest rates, a stronger Canada/U.S. exchange rate and a change in borrowing strategy to take advantage of low short-term interest rates. Government operating debt requirements were $1.7 billion below budget. The average long-term interest rate was 0.8 percentage points lower than assumed, while the average short-term interest rate was 0.1 percentage point lower. These factors also contributed to a 6.7 per cent drop in interest costs compared to the previous year.
- Government Restructuring (All Ministries) — Government has now completed the second year of the three-year $550 million restructuring plan for the Consolidated Revenue Fund (CRF) set out in the *2002/03* budget. CRF expenses for *2002/03* were $219 million compared to $168 million for *2001/02* (see Table 2.6). See Appendix Table A2.10a for details on total restructuring expenses (including Crown corporations).

Table 2.6 Government Restructuring [1]
Consolidated Revenue Fund (CRF)

	2001/02	2002/03
	($ millions)	
• **Exit Costs:**		
Funded by Government Restructuring vote	81	185
Funded by ministry budgets	23	3
Funded by Contingencies vote	57	-
	161	188
• **Non-Exit Costs:**		
Funded by Government Restructuring vote	-	27
Funded by ministry budgets	2	4
Funded by Contingencies vote	5	-
	7	31
Total CRF restructuring	**168**	**219**

[1] Accounting policy divides restructuring costs into exit costs related to charges that have no future value to government and non-exit restructuring costs for charges that do provide future benefits. For further details see Appendix Table A2.10b.

Crown Corporation Results

Taxpayer-supported Crown Corporations and Agencies

Combined taxpayer-supported net losses of $229 million (after adjustments and contributions to the CRF) were $23 million higher than budget.

Major changes from budget included the following:

- BC Buildings realized additional net income of $18 million compared to budget primarily due to one-time items. The government-wide restructuring program caused some early lease terminations of special purpose properties resulting in early cost recoveries ($13 million). Also, the corporation experienced higher net gains on property sales.

Table 2.7 2002/03 Crown Corporation and Agency Operating Results

	Budget 2002/03	Actual 2002/03	Actual 2001/02 [1]
		($ millions)	
Taxpayer-supported:			
British Columbia Buildings Corporation	34	52	37
British Columbia Ferry Corporation	16	(29)	(23)
BC Transportation Financing Authority	(56)	(20)	-
Forest Renewal BC	-	-	(179)
552513 British Columbia Ltd. (Skeena Cellulose Inc.)	-	(4)	(69)
Other	3	10	(6)
Accounting adjustments [2]	(184)	(204)	(225)
Debt assistance for Skeena Cellulose Inc.	-	-	220
Taxpayer-supported results before contributions to CRF	(187)	(195)	(245)
Less: Contributions paid to CRF	(19)	(34)	(17)
Transfer to the CRF for the wind-up of Forest Renewal BC and Fisheries Renewal BC	-	-	(256)
Taxpayer-supported net results	**(206)**	**(229)**	**(518)**
Self-supported commercial:			
British Columbia Hydro and Power Authority - net income	345	418	403
Reversal of rate stabilization account transfer impact on net income	5	(66)	(145)
British Columbia Hydro and Power Authority - operating results	350	352	258
Liquor Distribution Branch	640	654	637
British Columbia Lottery Corporation	660	671	606
British Columbia Railway Company	14	(84)	(107)
Insurance Corporation of British Columbia	(10)	45	(251)
Other	5	14	-
Accounting adjustments [3]	(184)	(60)	(207)
Self-supported commercial results before contributions to the CRF	1,475	1,592	936
Less: Contributions paid to CRF	(1,401)	(1,483)	(1,420)
Self-supported commercial net results	**74**	**109**	**(484)**
Total net (loss) contribution of Crown corporations and agencies	**(132)**	**(120)**	**(1,002)**

[1] Restated to be consistent with the presentation used for 2002/03.

[2] Primarily reflects the amortization of the cost of highways transferred to the BC Transportation Financing Authority in 1998/99. The 2001/02 adjustment includes a write-down resulting from the disposal of Skeena Cellulose Inc. ($67 million), and the 2002/03 adjustment includes the write-down of previous capital grants to BC Ferries ($77 million).

[3] Primarily reflects transfers of BC Lottery revenue to charities and local governments ($181 million), partially offset by adjustments to account for differences between the fiscal year ends of the government and BC Rail ($88 million) and ICBC ($35 million).

- BC Ferries was $45 million below budget as a further $53 million write-down of the *PacifiCat* ferries was recorded as a result of their auction in March 2003. This sale was prior to devolution of BC Ferries to an independent, regulated authority in April 2003. The write-down was partially offset by a $8 million improvement in operating results.

  The provincial government also expensed $77 million in previous capital grants to the corporation, which is included in the accounting adjustments to the taxpayer-supported Crown corporation results.

  The *PacifiCat* ferries auction proceeds of $18 million were transferred to the CRF as part of the contributions from taxpayer-supported Crown corporations.

- BC Transportation Financing Authority showed a $36 million improvement mainly due to lower debt servicing costs.

Commercial Crown Corporations

Commercial Crown corporations recorded combined net results of $109 million (after adjustments and contributions to the CRF) compared to budgeted net results of $74 million.

Major changes from budget included the following:

- BC Hydro's better than expected operating results were offset by $37 million in restructuring costs. As a result, the $352 million operating income (before rate stabilization transfers) was virtually unchanged from budget. An accounting policy change approved by the BC Utilities Commission for rate setting and reporting purposes resulted in a higher level of equity than assumed in the budget. Since BC Hydro's contribution to the CRF is based on an allowed return on equity, the higher equity resulted in a higher-than-anticipated contribution to the CRF.
- The Liquor Distribution Branch and BC Lotteries earnings were $14 million and $11 million, respectively, higher than expected. These improvements resulted in higher contributions to the CRF.
- For the year ended December 31, 2002, BC Rail reported a net loss of $84 million after including the $140 million impact of discontinued operations. The loss from discontinued operations included a $124 million write-down of Vancouver Wharves. Part of this write-down ($58 million) was estimated during the first quarter of 2002 and was reflected in the 2001/02 *Public Accounts*. As well, BC Rail completed the sale of Canadian Stevedoring and Casco Terminals in February 2003, with the $36 million gain on sale reflected in the 2002/03 *Public Accounts*.

  Excluding the impact of discontinued operations, BC Rail's consolidated net income from continuing operations was $56 million reflecting a $51 million improvement over the previous year mainly due to a 3.8 per cent increase in revenue and a 9.2 per cent reduction in operating expenses.

  In total, BC Rail's results for the first quarter of 2003 were an $88 million improvement over the same period in 2002, resulting in a positive adjustment to match the corporation's fiscal year to that of the provincial government.
- ICBC reported a net income of $45 million for the year ended December 31, 2002, a $55 million improvement over the budgeted loss of $10 million. The change from budget was mainly due to:
  - a 2.1 per cent increase in premium revenue (partially due to the 7.4 per cent rate increase announced in November 2001);
  - a 10 per cent decrease in operating costs;

  partially offset by:

  - a 1.9 per cent increase in claims costs (primarily due to a 13 per cent increase in the average cost per claim, partially offset by an 11 per cent decrease in the number of claims); and
  - lower-than-expected investment earnings.

ICBC's results for the first quarter of 2003 were significantly higher than the same period in 2002, resulting in a $35 million positive adjustment to match the corporation's fiscal year to that of the provincial government.

Five-year financial statements for the above Crown corporations are presented in Appendix Tables A2.11 to A2.18.

Full-Time Equivalents (FTEs)

Staff utilization is measured in full-time equivalents. FTEs are calculated by dividing the total hours of employment paid for in a given period by the number of hours an individual, full-time person would normally work in that period. FTE amounts do not equate to the actual number of employees.

Table 2.8 Full-Time Equivalents (FTEs) Utilization

	Budget 2002/03	Actual 2002/03	Actual 2001/02
Consolidated revenue fund (ministries and special offices)	31,608	29,751	33,214
Taxpayer-supported Crown corporations and agencies	8,800	8,244 [1]	9,178
Total	**40,408**	**37,995**	**42,392**

[1] Includes third quarter forecasts for Canadian Blood Services and the Forensic Psychiatric Services Commission. No estimates for these organizations were included in the 2002/03 *Public Accounts*.

FTEs were 2,413 below budget and 4,397 lower than the previous year (see Table 2.8). In 2002/03, the reduction in FTEs was primarily due to earlier than anticipated staffing reductions resulting from the implementation of core review recommendations, accelerated implementation of ministry service plan reductions, and higher-than-expected participation in voluntary departure and early retirement programs.

Provincial Capital Spending

Capital spending is required to build, acquire or replace assets such as roads, schools, post-secondary facilities, hospitals and related major equipment.

Capital spending does not flow directly to the government's annual surplus or deficit. Generally accepted accounting principles require capital costs to be spread out over the useful lives of the related assets through annual amortization expenses (see Appendix Table A2.1).

Capital spending in 2002/03 totalled $2.1 billion, $674 million below budget:

- Taxpayer-supported capital spending includes schools, hospitals, post-secondary facilities and transportation projects, plus minor capital spending by ministries and other minor taxpayer-supported agencies. In 2002/03, spending of $1.1 billion was $538 million below budget due to reduced spending for health and education facilities, transportation projects, and ministry minor capital purchases. This was partially offset by the purchase of land for expansion of the Vancouver Convention and Exhibition Centre, which was not originally budgeted to occur in 2002/03.

Table 2.9 Capital Spending

	Budget 2002/03	Actual 2002/03	Actual 2001/02	Annual Change
		($ millions)		(per cent)
Taxpayer-supported				
Education	466	367	360	1.9
Health [1]	273	117	169	(30.8)
BC Transportation Financing Authority	254	255	324	(21.3)
BC Ferries	103	58	57	1.8
Rapid Transit Project 2000 [1]	143	59	199	(70.4)
Ministry minor capital	301	183	203	(9.9)
Other [2]	129	92	103	(10.7)
Total taxpayer-supported	**1,669**	**1,131**	**1,415**	(20.1)
Self-supported commercial				
BC Hydro	745	741	545	36.0
BC Rail	66	52	78	(33.3)
Columbia River power projects [3]	86	54	118	(54.2)
Insurance Corporation of British Columbia [4]	116	41	107	(61.7)
BC Lotteries	26	28	20	40.0
Liquor Distribution Branch	22	9	26	(65.4)
Total self-supported commercial	**1,061**	**925**	**894**	3.5
Total capital spending	**2,730**	**2,056**	**2,309**	(11.0)

[1] Net of expenditures by hospital districts for cost-shared projects and capital spending on behalf of, and recovered from, the Greater Vancouver Transportation Authority (*TransLink*).

[2] Includes BC Housing Management Commission, Provincial Rental Housing Corporation, BC Buildings Corporation, Ministry of Attorney General, Ministry of Public Safety and Solicitor General, Ministry of Children and Family Development, BC Transit and purchase of land for expansion of the Vancouver Convention and Exhibition Centre.

[3] Columbia Power Corporation and Columbia Basin Trust.

[4] Includes ICBC Properties Ltd.

- Self-supported commercial Crown corporation capital spending includes projects undertaken by BC Hydro, BC Rail, ICBC and for Columbia River power projects. Spending for these agencies totalled $925 million and was $136 million below budget mainly due to reduced spending by ICBC and deferred Columbia River power projects.

Provincial Debt

The government and its Crown corporations borrow to finance their own operations (for example, when revenues fall short of expenses), to finance construction of capital projects or other investments, to refinance maturing debt and to finance working capital needs.

Provincial debt totalled $36.6 billion at March 31, 2003, or 27.2 per cent of provincial GDP (see Table 2.10 and Appendix Table A2.19). Total debt was $4.2 billion below budget reflecting lower-than-forecast debt balances at the end of the 2001/02 fiscal year, improved government operating results, reduced capital spending, reduced working capital requirements and non-utilization of the forecast allowance.

Table 2.10 Provincial Debt Summary [1]

	Budget 2002/03	Actual 2002/03	Actual 2001/02	Annual Change
		($ millions)		(per cent)
Taxpayer-supported debt				
Provincial government direct operating	17,182	15,453	13,789	12.1
Education facilities	6,012	5,793	5,517	5.0
Health facilities	2,199	2,004	1,920	4.4
Highways, ferries and public transit	5,060	4,786	4,639	3.2
Other [2]	1,148	1,024	1,312	(22.0)
Total taxpayer-supported debt	**31,601**	**29,060**	**27,177**	6.9
Self-supported debt				
Commercial Crown corporations and agencies	8,377	7,497	7,674	(2.3)
Warehouse borrowing program	-	-	1,067	(100.0)
Total self-supported debt	**8,377**	**7,497**	**8,741**	(14.2)
Forecast allowance	**750**	**-**	**-**	-
Total provincial debt	**40,728**	**36,557**	**35,918**	1.8

[1] Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported in the government's accounts as an accounts payable.

[2] Includes government services Crown corporations and agencies, other fiscal agency loans, student assistance loans, loan guarantees to agricultural producers, guarantees issued under economic development and home mortgage assistance programs, and loan guarantee provisions.

Taxpayer-supported Debt

Taxpayer-supported debt increased by $1.9 billion to total $29.1 billion at year-end (21.6 per cent of GDP). This was $2.5 billion below budget, mainly reflecting:

- lower-than-forecast debt balances at the end of the 2001/02 fiscal year;
- lower borrowing requirements for government's consolidated revenue fund due to better-than-expected operating results, lower ministry minor capital spending, reduced working capital requirements and higher cash balances at the start of the fiscal year; and
- reduced capital spending for education, health and transportation projects.

Self-supported Debt

Self-supported debt totalled $7.5 billion at March 31, 2003 (5.6 per cent of GDP). Debt at year-end was $1.2 billion lower than the previous year (mainly due to draw-down of cash held in the warehouse borrowing program) and $880 million below plan mainly reflecting:

- lower-than-forecast debt balances at the end of the 2001/02 fiscal year;
- better foreign exchange rates and decreased working capital requirements for BC Hydro;
- use of asset sale proceeds to pay down debt of BC Rail; and
- deferred capital projects and other decreased working capital requirements for Columbia River power projects.

Table 2.11 shows a summary of debt changes from the 2002/03 budget.

Table 2.11 Summary of Debt Changes from the 2002/03 Budget

	Change	Final Results
	($ millions)	
Provincial debt at March 31, 2003 - 2002/03 budget		**40,728**
March 31, 2002 year-end changes between budget forecast and the *2001/02 Public Accounts*		
Taxpayer-supported debt	(193)	
Self-supported commercial	(241)	
Adjusted provincial debt at March 31, 2003 - post *Public Accounts*		**40,294**
Taxpayer-supported debt		
Provincial government operating:		
- improved CRF operating results	(469)	
- higher cash balances at the start of the fiscal year	(122)	
- reduced working capital requirements and cash/accrual timing differences	(933)	
- lower ministry minor capital spending	(118)	
Education and health facilities - mainly reduced capital spending	(292)	
Highways, ferries and public transit (lower capital spending and reduced working capital requirements)	(262)	
BC Buildings (lower capital spending and reduced working capital requirements)	(81)	
Other (mainly lower debt guarantees)	(71)	
Total taxpayer-supported		**(2,348)**
Self-supported commercial		
BC Hydro - improved foreign exchange rates and decreased working capital requirements	(400)	
BC Rail - mainly proceeds from sale of assets	(124)	
Columbia River power projects - deferred capital spending and other decreased working capital requirements	(112)	
Other	(3)	**(639)**
Debt forecast allowance not needed		**(750)**
Provincial debt at March 31, 2003 - 2002/03 *Public Accounts*		**36,557**

Although the summary accounts deficit was $3.2 billion, total provincial debt only increased $639 million. This was due to numerous factors including non-cash items included in the deficit (primarily amortization costs), the draw-down of previously borrowed funds from the warehouse program, timing differences between accrued revenue/expenses and actual cash receipts/disbursements, and changes in working capital items such as accounts receivable and accounts payable. Table 2.12 provides a reconciliation between the summary accounts deficit and the total provincial debt increase.

Table 2.12 Reconciliation of Summary Deficit to Debt Increase - 2002/03

	($ millions)
Summary deficit	**3,169**
Taxpayer-supported capital expenditures	1,131
Non-cash items included in the deficit	(1,359)
Reduction in warehouse debt	(1,067)
Higher cash balances at the start of the year	(122)
Cash sources from working capital items (e.g. loans, accounts receivable etc.)	(697)
Sinking fund changes and lower debt guarantees	(239)
Self-supported Crown corporations debt changes	(177)
Total provincial debt increase	**639**

Credit Rating

A credit rating is an evaluation of a borrower's ability to pay interest and to repay principal. A credit rating affects the borrower's debt servicing costs and the investor's rate of return since an investor will demand a higher interest rate on a higher-risk, lower-rated security. Table 2.13 provides an interprovincial comparison of credit ratings.

The ratio of taxpayer-supported debt relative to gross domestic product is a measure often used by investors and credit rating agencies when analyzing a province's ability to manage its debt load. British Columbia's taxpayer-supported debt is one of the lowest in Canada, and this translates into a strong credit rating and lower debt service costs.

Table 2.13 Interprovincial Comparison of Credit Ratings, June 2003

	Rating Agency[1]		
Province	Moody's Investors Service	Standard and Poor's	Dominion Bond Rating Service
British Columbia	Aa2	AA-	AA (Low)
Alberta	Aaa	AAA	AAA
Saskatchewan	Aa3	A+	A
Manitoba	Aa2	AA-	A
Ontario	Aa2	AA	AA
Quebec	A1	A+	A
New Brunswick	A1	AA-	A
Nova Scotia	A3	A-	BBB (High)
Prince Edward Island	A2	Not Rated	A (Low)
Newfoundland	A3	A-	BBB

[1] The rating agencies assign letter ratings to borrowers. The major categories, in descending order of credit quality are: AAA/Aaa; AA/Aa; A; BBB/Baa; BB/Ba; and B. The "1", "2", "3", "high", "low", "+", and "-" modifiers show relative standing within the major categories. For example, AA+ exceeds AA and Aa2 exceeds Aa3.

Debt Indicators

Table 2.14 provides a historical summary of financial indicators that are used to depict the province's debt position, recent borrowing trends and the impact of debt on fiscal operating results.

Table 2.14 Key Debt Indicators

	1998/99	1999/2000	2000/01	2001/02	Budget 2002/03	Actual 2002/03
Debt to revenue (per cent)						
Total provincial	103.1	102.0	83.4	95.3	120.1	104.8
Taxpayer-supported	99.7	101.1	90.3	104.1	127.9	115.9
Debt per capita ($) [1]						
Total provincial	8,071	8,559	8,345	8,757	9,866	8,827
Taxpayer-supported	5,805	6,251	6,157	6,626	7,655	7,017
Debt to GDP (per cent) [2]						
Total provincial	27.9	28.6	26.2	27.4	31.3	27.2
Taxpayer-supported	20.1	20.9	19.3	20.8	24.3	21.6
Interest bite (cents per dollar of revenue) [3]						
Total provincial	7.8	7.5	6.4	6.4	7.7	6.4
Taxpayer-supported	7.4	7.2	6.8	6.6	8.1	6.6
Interest costs ($ millions)						
Total provincial	2,452	2,528	2,604	2,422	2,628	2,231
Taxpayer-supported	1,723	1,785	1,871	1,724	2,007	1,663
Interest rate (per cent) [4]						
Taxpayer-supported	7.6	7.4	7.5	6.6	6.8	5.9
Background Information:						
Revenue ($ millions) [5]						
Total provincial [6]	31,294	33,804	40,618	37,689	33,918	34,887
Taxpayer-supported [7]	23,285	24,909	27,690	26,108	24,703	25,076
Total debt ($ millions)						
Total provincial	32,261	34,478	33,880	35,918	40,728	36,557
Taxpayer-supported [8]	23,204	25,181	24,998	27,177	31,601	29,060
Provincial GDP ($ millions) [9]	115,641	120,599	129,356	130,859	130,100	134,365
Population (thousands at July 1) [10]	3,997	4,028	4,060	4,102	4,128	4,141

[1] The ratio of debt to population (e.g. debt at March 31, 2003 divided by population at July 1, 2002).

[2] The ratio of debt outstanding at fiscal year end to provincial nominal gross domestic product (GDP) for the calendar year ending in the fiscal year (e.g. debt at March 31, 2003 divided by 2002 GDP).

[3] The ratio of interest costs (less sinking fund interest) to revenue. Figures include capitalized interest expense in order to provide a more comparable measure to outstanding debt.

[4] Weighted average of all outstanding debt issues.

[5] Revenue has been restated for prior years reflecting a change in accounting policy for equalization entitlements from a cash basis to an accrual basis. This had the effect of increasing 1999/00 revenue by $125 million, and reducing 2001/02 and 2002/03 revenue by $68 million and $57 million, respectively.

[6] Includes revenue of the consolidated revenue fund plus revenue of all Crown corporations and agencies.

[7] Excludes revenue of commercial Crown corporations and agencies.

[8] Excludes debt of commercial Crown corporations and agencies (including non-guaranteed debt) and funds held under the province's warehouse borrowing program.

[9] GDP for the calendar year ending in the fiscal year (e.g. GDP for 2002 is used for the fiscal year ended March 31, 2003).

[10] Population at July 1st within the fiscal year (e.g. population at July 1, 2002 is used for the fiscal year ended March 31, 2003).

Appendix 2

Government's Financial Statements

The government conducts its activities through ministries, Crown corporations and agencies, and what is known as the SUCH sector (school districts, universities, colleges, and health care facilities and organizations). Information on the combined financial results of the government and its Crown corporations and agencies is presented in the government's summary financial statements, which are published in the annual *Public Accounts*. The SUCH sector, consistent with the legislated requirement to fully comply with generally accepted accounting principles (GAAP), will be included in the summary financial statements beginning in 2004/05.

Consolidated Revenue Fund

The accounts relating to the government's direct activities are contained in the consolidated revenue fund which consists of a main operating account and various special accounts. The consolidated revenue fund comprises all money over which the legislature has the power of appropriation.

The financial results of the consolidated revenue fund are reported as a separate entity in the *Public Accounts*. Revenue and expenditure are recorded on an accrual basis of accounting, with certain limited exceptions. Assets are recorded to the extent that they represent financial claims by the government upon outside parties; are items held for resale, prepaid expenses, deferred charges, or prepaid capital advances; or are tangible capital assets acquired. Similarly, liabilities are recorded only if they represent actual or probable financial claims against the government.

Crown corporations and agencies

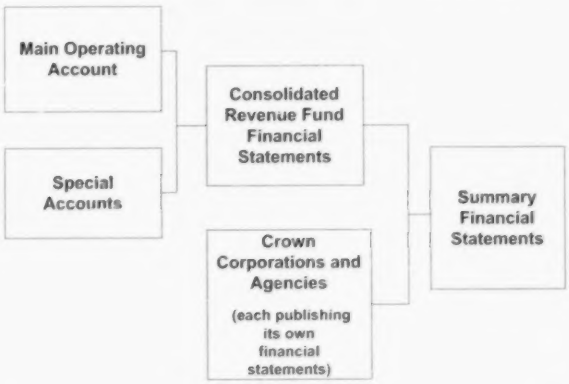
Crown corporations and agencies may be classified as either taxpayer-supported or self-supported. Taxpayer-supported Crown corporations and agencies may sell services directly to the public, but their revenue may not cover operating expenses and debt servicing payments. In these cases, the government provides some grants or other forms of assistance to them, including the dedication of provincial revenue. This category also includes Crown corporations whose primary purpose is to provide services to the government. Self-supported Crown corporations and agencies do generate sufficient revenue to cover operating and debt service costs, and may pay dividends to the provincial government. The operations of Crown corporations and agencies are recorded in their own financial statements, which are subject to audit by the Auditor General or by private-sector auditors. As individual Crown corporations and agencies publish their own financial statements, only summarized financial information is provided in the *Public Accounts*.

Summary financial statements

The financial results of the consolidated revenue fund and the Crown corporations and agencies are combined into the summary financial statements (see Chart A2.1). Where the accounting policies of taxpayer-supported Crown corporations and agencies differ from those used by central government to prepare its own consolidated revenue fund financial statements, the Crown

corporation and agency financial statements include adjustments to conform to government's accounting policies unless they are following the norms for their industry.

Chart A2.1 Summary Financial Statements Components



Currently, as is the practice of many other jurisdictions in the rest of Canada, the summary financial statements do not include all of the financial results of the SUCH sector, although the government publishes SUCH sector financial information in supplemental schedules to the *Public Accounts*. The government has passed legislation requiring that its financial statements fully conform to GAAP beginning with fiscal year 2004/05. Therefore, appropriate SUCH sector financial results will be fully combined with the summary financial statements beginning in 2004/05. Had it been included in 2002/03, the SUCH sector would have reduced the deficit by $243 million, and increased financial assets by $3.4 billion, liabilities by $3.7 billion and non-financial assets by $3.6 billion.

In this appendix, current and historical operating results are presented in accordance with the government's accounting polices effective March 31, 2003.

The Financial Cycle

The *Budget Transparency and Accountability Act* (BTAA) outlines government's reporting requirements during the financial cycle and imposes specific reporting deadlines or release dates for these publications. In particular, fixed dates for presentation of the Throne Speech and budget, as well as dates for quarterly and annual reports, are set by law.

Under the BTAA, the provincial government focuses its budgeting and reporting on a summary accounts basis. The BTAA requirements include reporting on the advice of the Economic Forecast Council, presentation of the annual *Estimates, Budget and Three-Year Fiscal Plan* and *Quarterly Reports* in accordance with GAAP by 2004/05, publication of *Quarterly Reports* with revised forecasts, presentation of the *Public Accounts*, annual three-year service plans for each ministry and government organization, and an annual three-year government strategic plan.

Chart A2.2 Financial Planning and Reporting Cycle

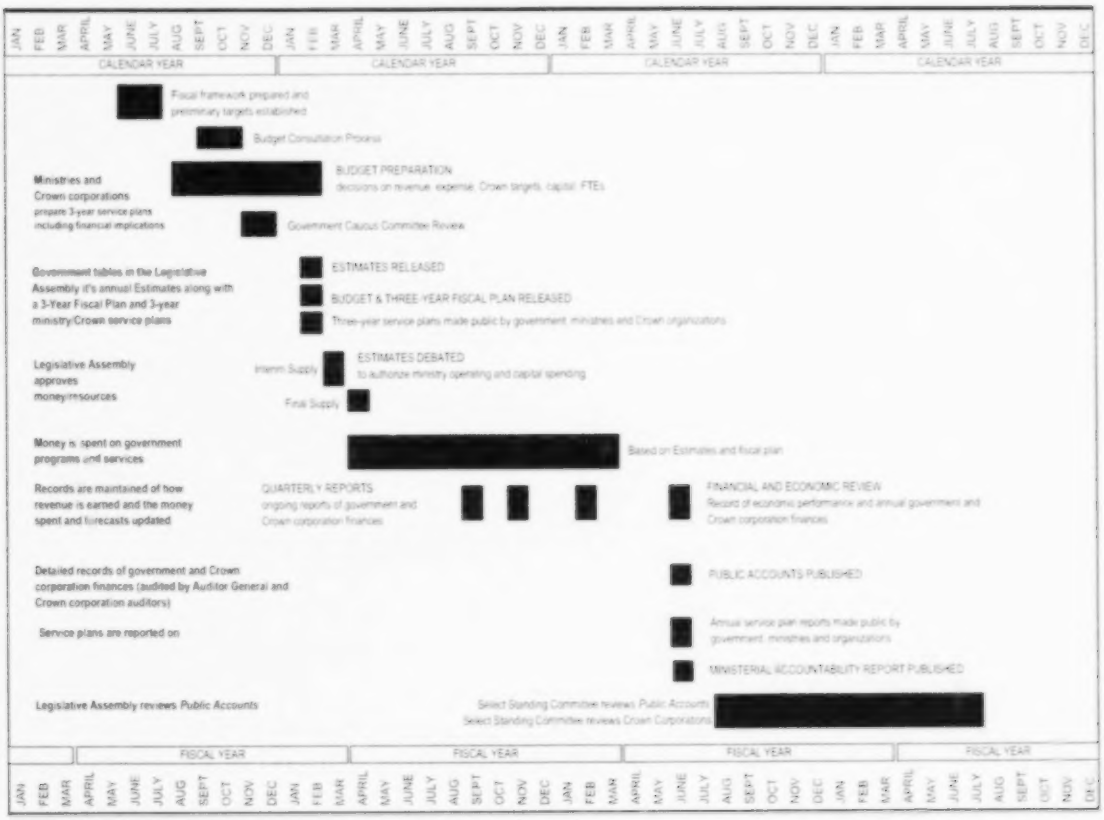

JAN FEB MAR APRIL MAY JUNE JULY AUG SEPT OCT NOV DEC
CALENDAR YEAR
Fiscal framework prepared and preliminary targets established
Budget Consultation Process
Ministries and Crown corporations prepare 3-year service plans including financial implications
BUDGET PREPARATION
decisions on revenue, expense, Crown targets, capital, FTEs
Government Caucus Committee Review
Government tables in the Legislative Assembly it's annual Estimates along with a 3-Year Fiscal Plan and 3-year ministry/Crown service plans
ESTIMATES RELEASED
BUDGET & THREE-YEAR FISCAL PLAN RELEASED
Three-year service plans made public by government, ministries and Crown organizations
Legislative Assembly approves money/resources
Interim Supply
ESTIMATES DEBATED
to authorize ministry operating and capital spending
Final Supply
Money is spent on government programs and services
Based on Estimates and fiscal plan
Records are maintained of how revenue is earned and the money spent and forecasts updated
QUARTERLY REPORTS
ongoing reports of government and Crown corporation finances
FINANCIAL AND ECONOMIC REVIEW
Record of economic performance and annual government and Crown corporation finances
Detailed records of government and Crown corporation finances (audited by Auditor General and Crown corporation auditors)
PUBLIC ACCOUNTS PUBLISHED
Service plans are reported on
Annual service plan reports made public by government, ministries and organizations
MINISTERIAL ACCOUNTABILITY REPORT PUBLISHED
Legislative Assembly reviews Public Accounts
Select Standing Committee reviews Public Accounts
Select Standing Committee reviews Crown Corporations
FISCAL YEAR

Chart A2.2 summarizes the annual financial process of the provincial government. This process consists of four main stages.

- *Planning and Budget Preparation* —Treasury Board reviews longer-term estimates of revenue, expense, capital and debt, and establishes a preliminary fiscal plan within the framework of the government's overall strategic plan. Preliminary high-level targets are provided to ministries and received from Crown corporations. Ministries and Crown corporations prepare three-year service plans, including performance measures and targets, and operating and capital budgets, for review by Treasury Board and/or government Caucus committees. Treasury Board makes decisions on budget allocations for ministries and assesses Crown corporation net income benchmarks based on government revenue forecasts, spending and capital priorities, and debt targets within the context of the fiscal plan. As input to this process, a consultation paper is made public by September 15th of each year that invites public comment on issues that need to be addressed in the fiscal and service plans, and a committee of the legislature holds public hearings throughout the province.
- *Implementation and Reporting* — The government's revenue, expense and capital plans for the next three fiscal years, as well as other information on the government's finances, are presented to the Legislative Assembly by the

Minister of Finance in a budget document called the *Budget and Fiscal Plan*. The financial plan for the next fiscal year is included in the document called the *Estimates*, which describes the individual appropriations to be voted on by the Legislative Assembly. The service plans and a report on major capital projects (those whose government contribution exceeds $50 million) must also be tabled. Throughout the year, the authorized funding as specified in the *Estimates* and ministry service plans is spent on programs and services. Crown corporations follow approved service plans under direction of their own Boards of Directors. *Quarterly Reports*, including full-year forecasts, are published by legislated dates to provide regular public updates on the government's finances.

- *Evaluation* — At the end of the fiscal year, the *Public Accounts* are prepared by the Comptroller General and examined by the Auditor General to ensure that the financial statements fairly present the government's financial position. The *Public Accounts* are augmented by the *British Columbia Financial and Economic Review*, which provides an overview of annual and historical financial and economic results. In addition, annual service plan reports are made public that compare actual results with ministry and Crown corporation performance measure targets.
- *Accountability* — The *Public Accounts* are presented to the Legislative Assembly and they are reviewed by two committees of the Legislative Assembly (the Select Standing Committee on the *Public Accounts* and the Select Standing Committee on Crown corporations). The *Ministerial Accountability Report* is published detailing the individual and collective financial performance of cabinet ministers, and the service and revenue results achieved by the Ministers of State and the Minister of Provincial Revenue. When the *Public Accounts* are tabled, ministries and most Crown corporations also release their service plan reports detailing results for the previous fiscal year, and a report on government's strategic plan is presented.

Capitalization

The government uses the "expense basis" of accounting for capital expenditures. Accordingly, capital expenditures are reported on the government's balance sheet (capitalized) and amortized (expensed) in the government's annual budgetary expenditures over the useful life of the assets.

The provincial government also issues advances to the SUCH sector for investment in capital assets. These advances are capitalized in the summary accounts balance sheet as prepaid capital advances. Prepaid capital advances are amortized in similar fashion to capital assets.

Appendix Table A2.1 illustrates the effect of capitalization accounting policy on the government's surplus (deficit) for 1998/99 to 2002/03. The table shows that excluding the effect of capitalization, the 2002/03 deficit was $2,988 million compared to a $1,528 million deficit in 2001/02. Additional information on the government's capitalization accounting policy is provided in the 2002/03 *Public Accounts*.

The five-year summary accounts balance sheet and the relationship between the surplus/deficit and changes in debt is included in Appendix Table A2.5.

Table A2.1 Effects of Capitalization on the Summary Accounts

	1998/99	1999/00	2000/01	2001/02	2002/03
		($ millions)			
Surplus (deficit) excluding effects of capitalization	(1,312)	(676)	428	(1,528)	(2,988)
Adjustments to include capitalization policy:					
Add: Cost of capital asset investments during the year	1,689	1,900	2,028	1,415	1,131
Less: Cost of disposals, amortization and valuation adjustments	(1,374)	(1,074)	(1,025)	(1,172)	(1,312)
Net adjustment	315	826	1,003	243	(181)
Surplus (deficit) after capitalization	(997)	150	1,431	(1,285)	(3,169)

Unfunded Pension Liabilities

The province contributes to four defined benefit pension plans for substantially all of its employees. These jointly trusteed pension plans were determined to be in a surplus position based on economic conditions and expectations at the time of their last actuarial valuation. The plans and the date of their last actuarial valuation are:

- Public Service Pension Plan, March 31, 2002;
- Municipal Pension Plan, December 31, 2000;
- Teachers' Pension Plan, December 31, 2000; and
- College Pension Plan, August 31, 2000.

In the event that a plan is determined to be in a deficit position by a subsequent actuarial valuation (performed every three years), the province is required to address the situation along with individual pension plan boards by adjusting joint contributions or through other measures.

Note 17 in the 2002/03 *Public Accounts* provides more information on pension plans.

In addition to pension benefits, each of the plans provide some group health and/or dental benefits to retired members. During 2002/03, all of the plans reviewed and curtailed some of these post-retirement group benefits due to rising costs.

Adjustments to the Accumulated Deficit

During 2002/03, a number of retroactive adjustments were made to the government's financial statements to reflect changes in accounting policy and to correct previously published information. Table A2.2 provides a brief summary of the changes that have been reviewed and approved by the Office of the Auditor General.

One of the adjustments relates to certain tenures issued under the Small Business Forest Enterprise program where the provincial government is responsible for silviculture obligations. Previously, these costs were expensed when they occurred (a cash basis approach). In keeping with its move to accrual accounting (GAAP), the provincial government has estimated its

Table A2.2 Summary of Changes in Accumulated Deficit from the *2001/02 Public Accounts* reported balance

	Change	Final Results
	($ millions)	
Accumulated deficit on March 31, 2001 as reported in the 2001/02 *Public Accounts*		**(3,509)**
Opening balance adjustments reported in 2001/02		32
Opening balance adjustments due to accounting policy changes in 2002/03:		
Recognition of liability due to Small Business Forest Enterprise silviculture obligations	(129)	
Change from cash to accrual accounting for federal equalization payments	125	
Change in consolidation method used by Canadian Blood Services to record its investment in a subsidiary, CBS Insurance Company	(19)	(23)
Accumulated deficit on March 31, 2001 as reported in the 2002/03 *Public Accounts*		**(3,500)**
2001/02 deficit:		
As reported in the 2001/02 *Public Accounts*	(1,233)	
Adjustments due to accounting policy changes in 2002/03:		
Recognition of a reduction in Small Business Forest Enterprise silviculture liability	16	
Change from cash to accrual accounting for federal equalization transfers	(68)	(1,285)
Accumulated deficit on March 31, 2002 as reported in the 2002/03 *Public Accounts*		**(4,785)**

potential silviculture liability for these tenures and recorded the liability on its balance sheet. The 2001/02 expense reduction reflects the difference between the accrued liability for the year and the actual cash expenditures that were previously recorded.

In 2001/02, the provincial government reported a cash equalization payment of $226 million that related to both 1999/00 and 2001/02. In 2002/03, the provincial government accrued an additional $57 million for the federal government's equalization obligation for these two years. Also in 2002/03 the provincial government changed its accounting policy to record grants under the program on an accrual basis rather than on a cash basis. As a result, $125 million was allocated as revenue in 1999/00, an overall $68 million reduction in revenue was recorded in 2001/02 and a $57 million reduction in 2002/03.

Canadian Blood Services is self-insured through a subsidiary, CBS Insurance Company (CBSI), and records its investment in CBSI on an equity basis. Previous consolidations of CBSI had been done on a line-by-line, fully consolidated basis. The change in policy resulted in an overall $19 million increase in the accumulated deficit (based on the province's proportional share of Canadian Blood Services).

Table A2.3 Five-Year Operating Results [1]

	1998/99	1999/00	2000/01	2001/02	2002/03
	($ millions)				
Consolidated revenue fund (CRF):					
Revenue	20,306	21,957	24,013	22,894	22,147
Expenditure	(20,581)	(22,213)	(22,460)	(24,897)	(25,196)
	(275)	(256)	1,553	(2,003)	(3,049)
Wind-up of Forest Renewal BC & Fisheries Renewal BC	-	-	-	256	-
CRF Balance	**(275)**	**(256)**	**1,553**	**(1,747)**	**(3,049)**
Crown corporations and agencies:					
Taxpayer-supported:					
British Columbia Buildings Corporation	49	45	51	37	52
British Columbia Ferry Corporation (BCFC)	(114)	(299)	11	(23)	(29)
BC Transportation Financing Authority	(114)	22	1	-	(20)
Forest Renewal BC (FRBC)	(265)	1	(64)	(179)	-
552513 British Columbia Ltd. (Skeena Cellulose Inc.) [2]	-	-	-	(69)	(4)
Other	9	(44)	32	(6)	10
Accounting adjustments [3]	(368)	(131)	(189)	(225)	(204)
Debt assistance for BCFC and Skeena Cellulose Inc.	-	1,080	-	220	-
Taxpayer-supported results before contributions to the CRF	(803)	674	(158)	(245)	(195)
Contributions paid to CRF	(14)	(78)	(69)	(17)	(34)
Wind-up of Fisheries & Forest Renewal BC	-	-	-	(256)	-
Taxpayer-supported net results	**(817)**	**596**	**(227)**	**(518)**	**(229)**
Commercial:					
British Columbia Hydro & Power Authority - net income	395	416	446	403	418
Reversal of RSA transfer impact on net income	-	129	103	(145)	(66)
British Columbia Hydro & Power Authority - operating	395	545	549	258	352
Liquor Distribution Branch	616	617	642	637	654
British Columbia Lottery Corporation	456	532	562	606	671
British Columbia Railway Company	24	(582)	(7)	(107)	(84)
Insurance Corporation of British Columbia	74	96	139	(251)	45
552513 British Columbia Ltd. (Skeena Cellulose Inc.) [2]	(26)	(3)	-	-	-
Other	3	4	4	-	14
Accounting adjustments [4]	(99)	(23)	(301)	(207)	(60)
Commercial results before contributions to the CRF	1,443	1,186	1,588	936	1,592
Contributions paid to CRF	(1,348)	(1,376)	(1,431)	(1,420)	(1,483)
Commercial net results	**95**	**(190)**	**157**	**(484)**	**109**
Total Crown corporations and agencies	**(722)**	**406**	**(70)**	**(1,002)**	**(120)**
(Deficit) surplus before joint trusteeship	**(997)**	**150**	**1,483**	**(2,749)**	**(3,169)**
Joint trusteeship	-	-	(52)	1,464	-
(Deficit) surplus	**(997)**	**150**	**1,431**	**(1,285)**	**(3,169)**

[1] Based on 2002/03 *Public Accounts* information. For comparative purposes, figures for prior years have been restated for the presentation used in 2002/03, and to reflect accounting policy changes for certain CRF revenue and expenses. See Tables A2.6 and A2.7 for details.

[2] Until 2000/01, 552513 British Columbia Ltd (Skeena Cellulose Inc) was classified as a commercial Crown corporation. Due to a significant deterioration in the outlook for world pulp prices, the company was reclassified as taxpayer-supported starting in 2001/02.

[3] Primarily reflects the amortization of the cost of highways transferred to the BC Transportation Financing Authority and one-time asset valuation adjustments.

[4] Primarily reflects adjustments to account for differences between the fiscal year ends of the government and BC Rail and ICBC, and transfers of BC Lottery revenue to charities and local governments.

Table A2.4 Summary of Changes from the 2002/03 Third Quarterly Report Updated Forecast

	Change		Final Results
		($ millions)	
Budget deficit - 2002/03 *Third Quarterly Report* updated forecast			**(3,800)**
Consolidated revenue fund (CRF) changes:			
Revenue changes:			
- Personal income tax - lower personal income growth in 2002	(66)		
- Corporation income tax - higher tax credits in 2001	(32)		
- Other taxes - higher collections from most sources except social service tax	40		
- Energy-related sources - higher prices	153		
- Forests - higher harvest volumes	111		
- Medical Service Plan premiums	(30)		
- Equalization and CHST entitlements - lower population estimates and accounting policy changes	(168)		
- Other	46	54	
Spending changes:			
- Contingencies vote savings	113		
- Ministry of Health Services savings	26		
- Other ministry savings	58		
- Lower debt interest	19	216	**270**
Crown corporation changes:			
Taxpayer-supported:			
- British Columbia Buildings Corporation - accounting policy adjustment, revenue recognition	42		
- British Columbia Ferry Corporation - write-down of *PacifiCat* ferries to sale proceeds and transfer of proceeds to CRF	(70)		
- Other changes and adjustments	42	14	
Commercial:			
- British Columbia Railway Company - impact of 2003 first quarter results on adjustment to match government's fiscal year-end	(9)		
- Insurance Corporation of British Columbia - impact of final audited results and adjustment to match government's fiscal year-end	47		
- Other changes and adjustments	9	47	**61**
Forecast allowance - not needed			**300**
Actual deficit - 2002/03 *Public Accounts*			**(3,169)**

Table A2.5 Five-Year Statement of Financial Position (unaudited)

	1998/99	1999/00	2000/01	2001/02	2002/03
			($ millions)		
Financial Assets					
Cash and temporary investments	791	1,569	548	780	326
Other financial assets	3,577	4,155	4,525	4,412	4,093
Investments in commercial Crown corporations and agencies					
- Retained earnings of self-supported Crown corporations	*2,960*	*2,820*	*3,001*	*2,520*	*2,629*
- Loans for purchases of assets recoverable from agencies	*7,988*	*7,499*	*7,437*	*7,552*	*7,381*
	10,948	10,319	10,438	10,072	10,010
Warehouse borrowing program assets	658	1,320	1,312	1,067	-
	15,974	**17,363**	**16,823**	**16,331**	**14,429**
Liabilities					
Current liabilities	3,502	4,091	3,945	4,177	4,576
Unfunded pension liabilities	2,444	2,053	1,477	6	4
Debt					
- Taxpayer-supported debt	*23,204*	*25,181*	*24,998*	*27,177*	*29,060*
- Commercial Crown corporations and agencies	*9,057*	*9,297*	*8,882*	*8,741*	*7,497*
Total provincial debt	*32,261*	*34,478*	*33,880*	*35,918*	*36,557*
Less: guarantees and non-guaranteed debt	*(707)*	*(934)*	*(597)*	*(464)*	*(416)*
	31,554	33,544	33,283	35,454	36,141
	37,500	**39,688**	**38,705**	**39,637**	**40,721**
Net Liabilities	**(21,526)**	**(22,325)**	**(21,882)**	**(23,306)**	**(26,292)**
Capital and Other Assets					
Prepaid capital advances	6,138	6,517	6,905	7,033	7,108
Tangible capital assets	10,029	10,476	11,091	11,206	10,950
Other assets	278	401	386	282	280
	16,445	**17,394**	**18,382**	**18,521**	**18,338**
Accumulated surplus (deficit)	**(5,081)**	**(4,931)**	**(3,500)**	**(4,785)**	**(7,954)**

Change in Summary Accounts Financial Position

	1998/99	1999/00	2000/01	2001/02	2002/03
			($ millions)		
Change in accumulated (surplus)/deficit:	**997**	**(150)**	**(1,431)**	**1,285**	**3,169**
Working capital changes:					
Increase (reduction) in cash and temporary investments	(507)	778	(1,021)	232	(454)
Reduction in unfunded pension liability	252	391	576	1,471	2
Other working capital changes	407	112	501	(449)	(720)
	152	**1,281**	**56**	**1,254**	**(1,172)**
Capital asset and investment changes:					
Increase in taxpayer-supported capital investments	*1,689*	*1,900*	*2,028*	*1,415*	*1,131*
Less: amortization and other accounting changes	*(1,374)*	*(1,074)*	*(1,025)*	*(1,172)*	*(1,312)*
	315	826	1,003	243	(181)
Increase in total investment in commercial Crown corporations	*740*	*953*	*771*	*410*	*984*
Less: loan repayments and other accounting changes	*(241)*	*(1,582)*	*(652)*	*(776)*	*(1,046)*
	499	(629)	119	(366)	(62)
Increase (decrease) in warehouse borrowing investments	446	662	(8)	(245)	(1,067)
	1,260	**859**	**1,114**	**(368)**	**(1,310)**
Increase (decrease) in guarantees and non-guaranteed debt	**(503)**	**227**	**(337)**	**(133)**	**(48)**
Increase (decrease) in total provincial debt	**1,906**	**2,217**	**(598)**	**2,038**	**639**

Table A2.6a Five-Year Revenue by Source
Consolidated Revenue Fund [1]

	1998/99	1999/2000	2000/01	2001/02	2002/03
			($ millions)		
Taxation Revenue					
Personal income	5,423	5,825	5,963	5,375	4,154
Corporation income	1,098	939	1,054	1,522	613
Social service	3,209	3,338	3,617	3,535	3,770
Fuel	654	470	443	398	393
Tobacco	505	498	460	499	606
Property - residential (school purpose) [2]	511	529	538	556	562
Property - business (school purpose)	764	758	770	781	823
Property - rural area	61	63	63	64	72
Property transfer	223	245	262	303	407
Corporation capital	455	460	459	395	198
Insurance premium	195	199	196	203	223
Hotel room	79	86	93	93	98
Horse racing	4	3	-	-	-
Less commissions on collection of public funds	(24)	(24)	(23)	(36)	(32)
Less allowance for doubtful accounts	(23)	(25)	(14)	(36)	(41)
Total taxation revenue	**13,134**	**13,364**	**13,881**	**13,652**	**11,846**
Natural Resouce Revenue					
Natural gas and petroleum					
Natural gas royalties	193	328	1,249	836	1,056
Permits and fees	106	248	462	360	330
Petroleum royalties	62	94	136	103	118
	361	670	1,847	1,299	1,504
Columbia River Treaty	16	100	632	360	100
Minerals	44	47	53	53	63
	421	817	2,532	1,712	1,667
Forests					
Timber sales	815	1,041	821	830	996
Small Business Forest Enterprise Program	209	269	257	186	292
Logging tax	14	24	60	28	21
Other forests revenue	55	58	15	65	14
	1,093	1,392	1,153	1,109	1,323
Water resources	306	297	294	284	257
Wildlife Act - fees and licences	15	15	15	15	14
Less commissions on collection of public funds	(1)	(1)	(1)	(1)	(1)
Less allowance for doubtful accounts	(5)	(3)	(18)	(11)	(5)
Total natural resource revenue	**1,829**	**2,517**	**3,975**	**3,108**	**3,255**
Other Revenue					
Fees and Licences					
Medical Services Plan premiums	876	868	895	955	1,358
Motor vehicle licences and permits	329	336	342	346	355
Ministry of Attorney General and Land Registries fees	106	102	101	107	110
Other fees and licences	258	261	229	232	226
Less commissions on collection of public funds	(51)	(14)	(7)	(7)	(9)
Less allowance for doubtful accounts	(34)	(5)	(17)	(44)	(90)
	1,484	1,548	1,543	1,589	1,950
Investment Earnings and Miscellaneous					
Investment earnings	51	60	111	64	18
Fines and penalties	112	108	99	99	77
Other miscellaneous	125	127	126	160	168
Asset dispositions	63	52	-	42	-
Less commissions on collection of public funds	(4)	(3)	-	(4)	(4)
Less allowance for doubtful accounts	-	(4)	(19)	(40)	(3)
	347	340	317	321	256
Total other revenue	**1,831**	**1,888**	**1,860**	**1,910**	**2,206**

Table A2.6a Five-Year Revenue by Source Consolidated Revenue Fund [1]

	1998/99	1999/2000	2000/01	2001/02	2002/03
			($ millions)		
Contributions from Government Enterprises					
Liquor Distribution Branch	616	617	642	637	654
British Columbia Hydro and Power Authority	323	343	372	332	338
British Columbia Lottery Corporation [3]	369	416	414	449	489
Other contributions	54	78	72	19	36
Total contributions from government enterprises	**1,362**	**1,454**	**1,500**	**1,437**	**1,517**
Contributions from the Federal Government					
Canada health and social transfer	1,968	2,438	2,619	2,445	2,606
Equalization [4]	-	125	-	158	543
Education (public schools)	76	81	74	85	80
Other payments	106	90	104	99	94
Total contributions from the federal government	**2,150**	**2,734**	**2,797**	**2,787**	**3,323**
Total Revenue	**20,306**	**21,957**	**24,013**	**22,894**	**22,147**

[1] For comparative purposes, figures for prior years have been restated to be consistent with the presentation used in 2002/03. Figures exclude dedicated revenue collected on behalf of, and transferred to, British Columbia Transit, British Columbia Ferry Corporation, BC Transportation Financing Authority, Greater Vancouver Transportation Authority (*TransLink*), Forest Renewal BC, BC Oil and Gas Commission, and Tourism British Columbia. These revenues are included as part of the operations of Crown corporations and agencies, with the exception of *Translink* and certain other public bodies that are not part of the provincial government.

[2] Revenue is shown net of home owner grants (basic and supplementary).

[3] The British Columbia Lottery Corporation remitted additional funds to government which was distributed to charitable organizations and local governments.

[4] Revenue has been restated for prior years reflecting a change in accounting policy for equalization entitlements from cash basis to accrual. This had the effect of increasing 1999/00 revenue by $125 million, and reducing 2001/02 and 2002/03 revenue by $68 million and $57 million, respectively.

Table A2.6b Five-Year Dedicated Revenue Collected on Behalf of, and Transferred to, Crown Corporations and Agencies, and Other Entities

	1998/99	1999/2000	2000/01	2001/02	2002/03
			($ millions)		
Dedicated Revenue:					
British Columbia Transit [1]	94	8	7	8	8
BC Transportation Financing Authority (BCTFA) [2]	124	176	202	195	222
Forest Renewal BC [3]	177	302	187	144	-
British Columbia Ferry Corporation [4]	-	65	73	71	75
Greater Vancouver Transportation Authority (*TransLink*) [5]	-	182	173	201	250
Tourism British Columbia [6]	20	22	24	24	25
Oil and Gas Commission [7]	6	13	18	17	20
Other [8]	149	151	158	178	190
Total Dedicated Revenue	570	919	842	838	790

[1] The 1998/99 figure includes motor fuel tax collected in the Vancouver and Victoria regional transit service areas. Effective April 1, 1999, figures include motor fuel tax collected only in the Victoria regional transit area (2.5 cents/litre on clear gasoline and motive fuel) as a result of the creation of *TransLink*.

[2] Includes motor fuel tax and a sales tax on short-term rentals of passenger vehicles. Figures are based on a transfer of 6.75 cents/litre on clear gasoline and motive fuel effective March 1, 2003, up from 3.25 cents/litre on clear gasoline and motive fuel effective April 1, 2000. The initial rate of 1 cent/litre (effective May 1, 1994) was increased to 2 cents/litre on July 1, 1997 and 3 cents/litre on June 1, 1999.

[3] Includes incremental stumpage and royalty revenue resulting from changes to rates introduced under the provincial government's Forest Renewal Plan on and after May 1, 1994.

[4] Includes 1 cent/litre of motor fuel tax for the period April 1, 1999 to September 30, 1999 and 1.25 cents/litre effective October 1, 1999.

[5] Effective April 1, 1999, includes 8 cents/litre on clear gasoline and motive fuel (4 cents/litre of which was previously collected on behalf of BC Transit) and social services tax on parking in the Vancouver transit area. Effective April 1, 2002, the tax collected increased to 11 cents/litre on clear gasoline and motive fuels, up from 9 cents/litre effective April 1, 2001.

[6] Includes a 1.65 per-cent share of the revenue raised from the 8 per-cent provincial hotel room tax.

[7] Includes fees collected under the Petroleum and Natural Gas Act and the Pipeline Act, and a levy assessed under the Oil and Gas Commission Levy Regulation.

[8] Primarily reflects transfers of property tax revenue collected on behalf of local governments.

Table A2.7 Five-Year Revenue by Source - Supplementary Information
Consolidated Revenue Fund [1]

	1998/99	1999/2000	2000/01	2001/02	2002/03
			(per cent)		
Per Cent of GDP: [2]					
Taxation	11.4	11.1	10.7	10.4	8.8
Natural resource	1.6	2.1	3.1	2.4	2.4
Other	1.6	1.6	1.4	1.5	1.6
Contributions from government enterprises	1.2	1.2	1.2	1.1	1.1
Contributions from the federal government	1.9	2.3	2.2	2.1	2.5
Total Revenue	17.6	18.2	18.6	17.5	16.5
Growth Rates:			(per cent)		
Taxation	0.2	1.8	3.9	-1.6	-13.2
Natural resource	-16.8	37.6	57.9	-21.8	4.7
Other	1.8	3.1	-1.5	2.7	15.5
Contributions from government enterprises	6.4	6.8	3.2	-4.2	5.6
Contributions from the federal government	17.0	27.2	2.3	-0.4	19.2
Total Revenue	0.4	8.1	9.4	-4.7	-3.3
Per Capita Revenue: [3]			(dollars)		
Taxation	3,286	3,318	3,419	3,328	2,860
Natural resource	458	625	979	758	786
Other	458	469	458	466	533
Contributions from government enterprises	341	361	369	350	366
Contributions from the federal government	538	679	689	679	803
Total Revenue	5,080	5,451	5,914	5,582	5,348
Real Per Capita Revenue (2002 dollars) [4]	5,445	5,779	6,155	5,713	5,348
- growth rate (per cent)	-0.8	6.1	6.5	-7.2	-6.4

[1] Revenue has been restated to reflect the government's accounting policy at March 31, 2003. Figures exclude dedicated revenue collected on behalf of, and transferred to, Crown corporations and agencies, the Greater Vancouver Transportation Authority (*Translink*) and other public bodies.

[2] Revenue as a per cent of GDP is calculated using GDP for the calendar year ending in the fiscal year (e.g. 2002/03 revenue divided by GDP for the 2002 calendar year). Totals may not add due to rounding.

[3] Per capita revenue is calculated using July 1 population (e.g. 2002/03 revenue divided by population on July 1, 2002).

[4] Revenue is converted to real (inflation-adjusted) terms using the consumer price index (CPI) for the corresponding calendar year (e.g. 2002 CPI for 2002/03 revenue). Totals may not add due to rounding.

Table A2.8 Five-Year Expense by Function [1]
Consolidated Revenue Fund

	1998/99	1999/2000	2000/01	2001/02	2002/03
			($ millions)		
Health					
Hospital care	4,546	4,836	5,278	5,998	6,305
Medical care	2,420	2,665	2,847	3,166	3,308
Preventive care	207	248	337	384	419
Other health	306	268	283	298	325
Total	**7,479**	**8,017**	**8,745**	**9,846**	**10,357**
Social services	**3,113**	**3,093**	**3,208**	**3,381**	**3,090**
Education					
Elementary and secondary	4,161	4,262	4,349	4,868	4,890
Post-secondary	1,451	1,497	1,806	1,797	1,828
Other education	213	216	202	189	159
Total	**5,825**	**5,975**	**6,357**	**6,854**	**6,877**
Protection of persons and property					
Law enforcement	328	347	327	376	373
Police protection	157	161	175	197	229
Corrections	207	224	242	267	256
Other protection and regulation	297	296	275	263	243
Total	**989**	**1,028**	**1,019**	**1,103**	**1,101**
Transportation					
Road and air	472	469	447	494	490
Ferries	24	1,080 [2]	-	-	-
Public transit	294	148 [3]	164	207	260
Total	**790**	**1,697**	**611**	**701**	**750**
Natural resources and economic development					
Forests (includes firefighting)	571 [4]	491 [4]	592 [4]	794 [4]	902
Minerals and mines	31	43	58	113	47
Environment and agriculture	213	226	238	306	322
Fish and game	21	21	28	18	4
Trade and industry	112	182 [2]	110	93	82
Total	**948**	**963**	**1,026**	**1,324**	**1,357**
Other expense					
Local government	200	127	122	169	178
Housing support	91	93	104	134	151
Recreation and culture	81	139 [2]	115	89	73
Restructuring exit costs	-	-	-	161 [5]	188 [5]
Total	**372**	**359**	**341**	**553**	**590**
General government					
Legislature	35	34	34	39	37
Administration	192	212	230	335	326
Total	**227**	**246**	**264**	**374**	**363**
Debt servicing	**838**	**835**	**889**	**761**	**711**
Total Expense	**20,581**	**22,213**	**22,460**	**24,897**	**25,196**

[1] Expense by function has been restated to conform more closely to the presentation used by Statistics Canada. Figures are based on 2002/03 *Public Accounts* information. For comparative purposes, figures for previous years have been restated to be consistent with the presentation used in 2002/03.

[2] 1999/00 includes one-time expenses of $1,183 million to record the forgiveness of $1,080 million of debt owed by the British Columbia Ferry Corporation to the government, and write-downs of provincial investments in the Vancouver Trade and Convention Centre (trade and industry - $70 million) and the Kemess mine (recreation and culture - $33 million).

[3] Public transit expenses are lower in 1999/00 due to the transfer of transit responsibilities for the Lower Mainland from British Columbia Transit to the Greater Vancouver Transportation Authority (*TransLink*) at the end of 1998/99. Funding for *TransLink* is provided by increased provincial transfers of revenue from fuel and sales taxes, increased access to the local property tax base, and other own-source fees and charges.

[4] Expense for prior years was decreased due to a change in recognition of silviculture liabilities arising under the Small Business Forest Enterprise Program. Silviculture costs were previously expensed as incurred but are now accrued when the liability occurs. Expense was reduced by $16 million-2001/02, $4.5 million-2000/01, $2.2 million-1999/00, and $5.9 million-1998/99.

[5] Restructuring exit costs have no future value to government and are shown separately from other categories of operating expenses.

Table A2.9 Five-Year Expense by Function - Supplementary Information
Consolidated Revenue Fund [1]

	1998/99	1999/2000	2000/01	2001/02	2002/03
			(per cent)		
Per Cent of GDP:					
Health care	6.5	6.6	6.8	7.5	7.7
Social services	2.7	2.6	2.5	2.6	2.3
Education	5.0	5.0	4.9	5.2	5.1
Protection of persons and property	0.9	0.9	0.8	0.8	0.8
Transportation	0.7	1.4	0.5	0.5	0.6
Natural resources and economic development	0.8	0.8	0.8	1.0	1.0
Other expense	0.3	0.2	0.2	0.5	0.5
General government	0.2	0.2	0.2	0.3	0.3
Debt servicing	0.7	0.7	0.7	0.6	0.5
Total Expense	**17.8**	**18.4**	**17.4**	**19.0**	**18.8**
			(per cent)		
Growth Rates:					
Health care	3.5	7.2	9.1	12.6	5.2
Social services	-0.5	-0.6	3.7	5.4	-8.6
Education	1.0	2.6	6.4	7.8	0.3
Protection of persons and property	10.3	3.9	-0.9	8.2	-0.2
Transportation [2]	2.6	114.8	-64.0	14.7	7.0
Natural resources and economic development [2]	14.8	1.6	6.5	29.0	2.5
Other expense [2]	-21.4	-3.5	-5.0	62.2	6.7
General government	6.6	8.4	7.3	41.7	-2.9
Debt servicing	0.5	-0.4	6.5	-14.4	-6.6
Total Expense [2]	**2.2**	**7.9**	**1.1**	**10.9**	**1.2**
			(dollars)		
Per Capita Expense:					
Health care	1,871	1,990	2,154	2,401	2,501
Social services	779	768	790	824	746
Education	1,457	1,483	1,566	1,671	1,661
Protection of persons and property	247	255	251	269	266
Transportation	198	421	150	171	181
Natural resources and economic development	237	239	253	323	328
Other expense	93	90	84	134	141
General government	57	61	65	91	88
Debt servicing	210	207	219	186	172
Total Expense	**5,149**	**5,514**	**5,532**	**6,070**	**6,084**
Real Per Capita Expense (2002 dollars)	5,519	5,846	5,756	6,212	6,084
- growth rate (per cent) [2]	1.0	5.9	-1.5	7.9	-2.1

[1] Expense has been restated to reflect the government's accounting policy at March 31, 2003.

[2] Excluding one-time expenses in 1999/00 of $1,183 million, 1999/00 growth rates would be -21.9% for transportation, -4.3% for natural resources and economic development, -12.4% for other, 2.1% for total spending, and 0.3% for real per capita; 2000/01 growth rates would be -1.0% for transportation, 15.2% for natural resources and economic development, 4.6% for other, 6.8% for total spending, and 3.9% for real per capita.

Note: Per capita expense is calculated using July 1 population (e.g. 2002/03 expense divided by population on July 1, 2002). Similarly, expense as a per cent of GDP is calculated using GDP for the calendar year ending in the fiscal year (e.g. 2002/03 expense divided by GDP for the 2002 calendar year). Expense is converted to real (inflation-adjusted) terms using the consumer price index (CPI) for the corresponding calendar year (e.g. 2002 CPI for 2002/03 expense).

Table A2.10a Government Restructuring Exit Expense [1]

	2001/02		2002/03		
	$ millions				
Consolidated Revenue Fund:					
Government Restructuring (All Ministries) Vote	81		185		
Ministry budgets	23		3		
Contingencies Vote	57	161	-	188	[2]
Taxpayer-supported Crown Corporations:					
BC Buildings Corporation	5		51		
BC Health Research Foundation	-		4		
BC Pavilion Corporation	-		1		
Forest Renewal BC	37		-		
Legal Services Society	6		2		
Okanagan Valley Tree Fruit Authority	-		10		
Other	15		-		
Less: ministry payments to taxpayer-supported Crown corporations	-	63	(87)	(19)	[3]
Subtotal taxpayer-supported		**224**		**169**	
Commercial Crown Corporations:					
BC Hydro	-		37		
BC Liquor Distribution Branch	-		28		
BC Rail	165		-		
Insurance Corporation of BC	40	205	15	80	[4]
Total restructuring exit costs		**429**		**249**	

[1] Includes one-time expenditures relating to staffing, building occupancy and other restructuring activities that have no future value to government.

[2] As reported in Table A2.10b.

[3] As reported in the 2002/03 *Public Accounts* summary statements.

[4] Included as part of changes to government investments in commercial Crown corporations.

Table A2.10b Consolidated Revenue Fund
Government Restructuring Expense, 2002/03

	Restructuring Exit Expense [1]				Non-Exit Restructuring Expense [2]				
	Work-force Adjust-ment	Accom-modation Restruc-turing	Other Restruc-turing	Total	Work-force Adjust-ment	Accom-modation Restruc-turing	Other Restruc-turing	Total	**Total**
	($ millions)								
Government Restructuring (All Ministries) Vote:									
Legislation	-	-	-	-	-	-	-	-	-
Officers of the Legislature	0.5	-	-	0.5	-	0.1	-	0.1	0.6
Office of the Premier	0.3	-	-	0.3	-	-	-	-	0.3
Advanced Education	0.8	0.7	-	1.5	0.2	-	-	0.2	1.7
Agriculture, Food and Fisheries	0.8	1.1	-	1.9	-	-	-	-	1.9
Attorney General	4.3	-	-	4.3	0.2	1.4	0.3	1.9	6.2
Children and Family Development	7.8	0.8	4.1	12.7	0.1	0.6	0.6	1.3	14.0
Community, Aboriginal and Women's Services	1.7	-	2.5	4.2	-	0.1	1.9	2.0	6.2
Competition, Science and Enterprise	0.6	0.1	-	0.7	-	0.1	-	0.1	0.8
Education	0.7	-	-	0.7	-	-	-	-	0.7
Energy and Mines	0.5	-	-	0.5	0.1	0.1	-	0.2	0.7
Finance	0.4	-	-	0.4	0.1	0.3	0.1	0.5	0.9
Forests	12.1	5.1	0.7	17.9	0.1	0.3	0.6	1.0	18.9
Health Planning	0.3	-	-	0.3	0.1	-	-	0.1	0.4
Health Services	-	-	-	-	-	-	-	-	-
Human Resources	3.5	0.3	0.1	3.9	0.2	0.5	-	0.7	4.6
Management Services	2.6	-	-	2.6	-	0.4	5.1	5.5	8.1
Provincial Revenue	0.7	-	-	0.7	-	-	-	-	0.7
Public Safety and Solicitor General	3.9	46.3	-	50.2	0.1	5.6	0.1	5.8	56.0
Skills Development and Labour	0.7	-	-	0.7	0.1	0.3	0.1	0.5	1.2
Sustainable Resource Management	3.8	1.7	-	5.5	-	0.1	0.3	0.4	5.9
Transportation	5.7	11.5	0.1	17.3	1.8	1.2	0.2	3.2	20.5
Water, Land and Air Protection	2.3	14.7	1.9	18.9	-	0.3	-	0.3	19.2
Other Appropriations	-	0.4	-	0.4	-	-	-	-	0.4
Cross-Government [3]	29.9	8.8	-	38.7	1.3	0.9	1.1	3.3	42.0
Total vote	**83.9**	**91.5**	**9.4**	**184.8**	**4.4**	**12.3**	**10.4**	**27.1**	**211.9**
Ministry Budgets:									
Health Services	2.2	0.2	-	2.4	0.4	0.7	1.3	2.4	4.8
Sustainable Resource Management	-	-	1.1	1.1	-	-	-	-	1.1
Water, Land and Air Protection	-	-	-	-	0.8	0.2	0.1	1.1	1.1
Total from ministry budgets	**2.2**	**0.2**	**1.1**	**3.5**	**1.2**	**0.9**	**1.4**	**3.5**	**7.0**
Total	**86.1**	**91.7**	**10.5**	**188.3**	**5.6**	**13.2**	**11.8**	**30.6**	**218.9**

[1] Restructuring exit costs represent no future value to government.

[2] Non-exit restructuring costs result from the restructuring initiative but do have a future value to government.

[3] Cross-Government expense includes government-wide charges for enhanced pension eligibility, involuntary severance, severance for long-term disability employees and other transition costs not attributable to a specific ministry.

Table A2.11 British Columbia Buildings Corporation
Five-Year Income Statement for the Years Ended March 31

	1999	2000	2001	2002	2003
			($ millions)		
Revenues:					
Rentals	399.0	399.3	403.6	412.7	396.6
Other income	37.3	48.3	48.2	46.1	64.6
Gains on sale of properties	9.9	15.9	10.4	6.6	10.5
	446.2	463.5	462.2	465.4	471.7
Expenses:					
Lease costs and client projects	165.4	169.0	174.8	172.5	193.7
Operations and maintenance	139.3	149.7	156.7	168.7	155.7
Amortization	40.6	39.8	41.6	41.6	38.0
Interest expense	51.5	60.0	38.2	39.9	36.9
	396.8	418.5	411.3	422.7	424.3
Net income before restructuring items	49.4	45.0	50.9	42.7	47.4
Restructuring costs	-	-	-	(5.5)	(8.4)
Early lease termination recoveries	-	-	-	-	13.1
Net income	49.4	45.0	50.9	37.2	52.1

Source: British Columbia Buildings Corporation.

Table A2.12 British Columbia Ferry Corporation
Five-Year Income Statement for the Years Ended March 31

	1999	2000	2001	2002	2003
			($ millions)		
Revenues					
Tolls	296.5	292.4	292.8	305.7	315.6
Catering and other income	87.6	85.9	91.1	95.8	100.2
Provincial grant/dedicated revenue [1]	24.0	64.9	72.5	71.7	74.2
	408.1	443.2	456.4	473.2	490.0
Expenses:					
Salaries, wages and benefits	235.2	227.2	227.1	241.6	248.1
Other operating costs	146.5	161.9	168.9	166.3	172.0
Net financing expense	42.4	53.1	(0.3)	1.8	1.4
Amortization	50.3	60.2	50.0	46.1	44.1
	474.4	502.4	445.7	455.8	465.6
Net income (loss) before unusual items	(66.3)	(59.2)	10.7	17.4	24.4
Provision for write-down of *PacifiCat* ferries	(48.0)	(240.0)	-	(40.0)	(53.1)
Net income (loss)	(114.3)	(299.2)	10.7 [2]	(22.6)	(28.7)

[1] Differs from amounts reported in Table A2.6b (dedicated revenue) due to minor year-end accounting adjustments.

[2] Excludes the effect of the government's foregiveness of $1,080 million of debt. This is recorded on the corporation's balance sheet and is accounted for in the government's summary accounts as an adjustment to taxpayer-supported Crown corporations and agencies.

Source: British Columbia Ferry Corporation.

Table A2.13 BC Transportation Financing Authority
Five-Year Consolidated Statement of Income for the Years Ended March 31

	1999	2000	2001	2002	2003
			($ millions)		
Revenue					
Dedicated revenue [1]	126.3	177.2	199.5	196.7	223.2
Provincial grants	-	-	-	42.2	-
Contractors' fees and other	-	33.5	87.3	38.2	8.4
Capital contributions (amortization) [2]	-	189.7	189.7	188.7	187.5
	126.3	400.4	476.5	465.8	419.1
Expenditures					
Operations and administration	49.7	46.4	41.0	43.7	6.2
Construction wages and benefits	-	26.6	80.6	30.2	0.7
Amortization [2]	32.1	231.4	247.9	263.4	286.3
Interest	68.1	73.8	106.3	118.6	126.1
	149.9	378.2	475.8	455.9	419.3
Operating results before extraordinary items	(23.6)	22.2	0.7	9.9	(0.2)
Extraordinary items	(90.7) [3]	-	-	(10.0) [4]	(19.6) [5]
Net results for the year	(114.3)	22.2	0.7	(0.1)	(19.8)

[1] Differs from amounts reported in Table A2.6b (dedicated revenue) due to minor year-end accounting adjustments.
[2] Effective March 31, 1999, the provincial government transferred highway infrastructure assets to the Authority. The value of the highways is recorded on the Authority's balance sheet as a deferred capital contribution, which is amortized as income to offset the amortization expense of the highways.
[3] The net book value of highways in the Lower Mainland that were transferred to the Greater Vancouver Transportation Authority.
[4] The net book value of highways transferred to municipalities as a result of incorporations and completion of new arterial routes.
[5] The net book value of highways transferred to municipalites ($2.4 million), write-down of highway development costs ($10.5 million) and the write-down of assets held for resale ($6.7 million).

Source: BC Transportation Financing Authority.

Table A2.14 British Columbia Hydro and Power Authority
Five-Year Income Statement for the Years Ended March 31

	1999	2000	2001	2002	2003
			($ millions)		
Revenue:					
Domestic	2,277.9	2,327.5	2,431.0	2,450.0	2,475.0
Electricity trade	739.0	1,129.1	5,458.0	3,861.0	1,932.0
	3,016.9	3,456.6	7,889.0	6,311.0	4,407.0
Expenses:					
Energy costs	1,075.2	1,354.9	5,162.0	4,407.0	2,426.0
Operating expenses	592.3	612.4	929.0	716.0	718.0
Depreciation	338.8	365.0	380.0	386.0	417.0
Finance charges	615.2	578.8	559.0	544.0	457.0
	2,621.5	2,911.1	7,030.0	6,053.0	4,018.0
Operating results	395.4	545.5	859.0	258.0	389.0
Restructuring costs	-	-	-	-	(37.0)
Customer profit sharing	-	-	(310.0)	-	-
Transfer (to) from RSA [1]	-	(129.3)	(103.0)	145.0	66.0
Net income	395.4	416.2	446.0	403.0	418.0

[1] Effective March 31, 1999, the Authority modified its accounting and reporting of transfers (to) from the rate stabilization account (RSA). RSA transfers are now shown as adjustments to net income rather than to retained earnings as previously reported.

Source: British Columbia Hydro and Power Authority.

Table A2.15 Liquor Distribution Branch
Five-Year Income Statement for the Years Ended March 31

	1999	2000	2001	2002	2003
			($ millions)		
Provincial liquor sales	1,640.8	1,663.3	1,719.2	1,792.9	1,885.3
Less: Cost of sales [1]	850.6	864.8	891.6	929.6	981.0
Gross margin	790.2	798.5	827.6	863.3	904.3
Operating expenses	(178.2)	(188.4)	(197.9)	(231.9)	(254.9)
Other income	3.9	7.3	12.7	5.3	4.8
Net income	615.9	617.4	642.4	636.7	654.2

[1] Includes discounts and commissions.

Source: Liquor Distribution Branch.

Table A2.16 British Columbia Lottery Corporation
Five-Year Income Statement for the Years Ended March 31

	1999	2000	2001	2002	2003
			($ millions)		
Gaming revenue	1,261.5	1,401.5	1,483.0	1,607.4	1,792.4
Less: Prizes and direct costs	699.1	745.9	796.1	863.5	987.0
Gross margin	562.4	655.6	686.9	743.9	805.4
Operating expenses (net)	(106.4)	(123.6)	(124.9)	(137.8)	(134.5)
Net income	456.0	532.0	562.0	606.1	670.9
Allocation of net income					
Government of Canada	7.0	7.2	7.4	7.6	7.8
Funding for provincial gaming programs	5.0	1.9	3.7	4.1	3.2
Transfers to charities/local governments	74.6	106.9	137.2	145.6	171.1
Contribution to provincial revenue	369.4	416.0	413.7	448.8	488.8
	456.0	532.0	562.0	606.1	670.9

Source: British Columbia Lottery Corporation.

Table A2.17 British Columbia Railway Company
Five-Year Income Statement for the Years Ended December 31 [1]

	1998	1999	2000	2001	2002
			($ millions)		
Revenue	338.3	341.1	333.5	301.8	313.2
Expenses	284.5	271.3	293.1	266.6	241.9
Operating income	53.8	69.8	40.4	35.2	71.3
Non-operating expenses	(21.8)	(22.6)	(28.7)	(29.7)	(15.3)
Income from continuing operations before special charges	32.0	47.2	11.7	5.5	56.0
Special charges	-	(605.8) [2]	(8.0) [3]	(79.8) [4]	-
Income (loss) from continuing operations	32.0	(558.6)	3.7	(74.3)	56.0
Results of discontinued operations	(7.9)	(23.5)	(10.4)	(32.6)	(140.2)
Net income (loss)	24.1	(582.1)	(6.7)	(106.9)	(84.2)

[1] Prior years are restated to be consistent with the current presentation.
[2] Asset impairment charge on northern British Columbia rail assets.
[3] Provision to reflect anticipated future costs of environmental remediation.
[4] Restructuring costs.

Source: British Columbia Railway Company.

Table A2.18 Insurance Corporation of British Columbia
Five-Year Income Statement for the Years Ended December 31

	1998	1999	2000	2001	2002
			($ millions)		
Revenue:					
Net premiums	2,368.9	2,382.4	2,387.0	2,447.1	2,628.5
Investment income	412.2	449.2	625.7	454.0	327.3
Net provincial fine and licence collections [1]	41.0	-	-	-	-
	2,822.1	2,831.6	3,012.7	2,901.1	2,955.8
Claims and expenses:					
Claims incurred	2,134.6	2,080.3	2,006.2	2,126.3	2,193.5
Prior years' claims adjustments	(219.5)	(238.2)	(266.3)	2.2	(24.8)
Net claims incurred	1,915.1	1,842.1	1,739.9	2,128.5	2,168.7
Claims operations expense	287.6	334.3	333.0	316.6	268.5
Operating costs - insurance	417.0	466.8	479.2	472.6	374.7
Operating costs - non-insurance	81.9	92.7	103.4	94.4	83.7
	2,701.6	2,735.9	2,655.5	3,012.1	2,895.6
Income before unusual items	120.5	95.7	357.2	(111.0)	60.2
Unusual items	(47.0) [2]	-	(218.5) [2]	(139.5) [3]	(15.2) [4]
Net income (loss)	73.5	95.7	138.7	(250.5)	45.0

[1] Commencing in 1997, the corporation assumed responsibility for the collection of licence fees and fines revenues as part of a merger with the Motor Vehicle Branch of the Ministry of Transportation and Highways.
[2] Road Safety Dividend.
[3] Includes restructuring costs ($39.5 million) and a provision for a reduction in investment value ($100 million).
[4] Restructuring costs.

Source: Insurance Corporation of British Columbia.

Table A2.19 Five-Year Provincial Debt Summary [1]

	1998/99	1999/2000	2000/01	2001/02	Budget 2002/03	Actual 2002/03
			($ millions)			
Taxpayer-supported debt						
Provincial government direct operating	12,217	13,859 [2]	12,113	13,789	17,182	15,453
Education facilities [3]						
Schools	3,261	3,609	3,880	4,092	4,375	4,294
Post-secondary institutions	1,336	1,369	1,383	1,425	1,637	1,499
	4,597	4,978	5,263	5,517	6,012	5,793
Health facilities [3]	1,282	1,451	1,780	1,920	2,199	2,004
Highways, ferries and public transit						
BC Transportation Financing Authority	1,433	1,843	2,197	2,514	2,743	2,661
BC Ferries	973	24 [2]	21	19	72	-
BC Transit	59	79	75	79	94	87
Public transit [3]	987	952	948	936	937	930
SkyTrain extension [3]	133	488	836	1,044	1,214	1,105
Rapid Transit Project 2000 Ltd.	56	101	114	47	-	3
	3,641	3,487	4,191	4,639	5,060	4,786
Other						
BC Buildings	715	615	610	596	538	456
552513 British Columbia Ltd. (Skeena Cellulose Inc.) [4]	-	-	337	-	-	-
Social housing [5]	183	205	265	299	218	161
Homeowner Protection Office	11	34	71	113	139	123
Universities and colleges - fiscal agency loans	137	130	124	114	113	105
Student assistance loans	287	267	159	90	73	54
Other [6]	134	155	85	100	67	125
	1,467	1,406	1,651	1,312	1,148	1,024
Total taxpayer-supported debt	**23,204**	**25,181**	**24,998**	**27,177**	**31,601**	**29,060**
Self-supported debt						
Commercial Crown corporations and agencies						
BC Hydro	7,474	6,945	6,852	6,863	7,442	6,829
BC Rail	607	655	603	614	638	494
552513 British Columbia Ltd. (Skeena Cellulose Inc.) [4]	221	280	-	-	-	-
Columbia Basin Power Company [7]	94	94	93	120	285	118
Columbia Power Corporation	-	-	20	64	-	47
Liquor Distribution Branch	3	3	2	13	12	9
	8,399	7,977	7,570	7,674	8,377	7,497
Warehouse borrowing program	658	1,320	1,312	1,067	-	-
Total self-supported debt	**9,057**	**9,297**	**8,882**	**8,741**	**8,377**	**7,497**
Forecast allowance	-	-	-	-	**750**	-
Total provincial debt	**32,261**	**34,478**	**33,880**	**35,918**	**40,728**	**36,557**

[1] Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported in the government's accounts as an accounts payable.

[2] Effective March 31, 2000, the provincial government assumed responsibility for the fiscal agency loans of BC Ferries ($1,080 million) and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre) ($70 million). Although this resulted in a change to debt composition, debt totals were not affected.

[3] Represents government direct debt incurred for capital financing purposes.

[4] Based on a revised outlook for world pulp prices and its potential impact on the finances of 552513 British Columbia Ltd. (Skeena Cellulose Inc.), the company's debt was reclassified from self-supported to taxpayer-supported in 2000/01. In March 2002, the company's debt was assumed by the provincial government ($260 million) and by the minority shareholder ($94 million) in preparation for returning Skeena Cellulose Inc. to the private sector.

[5] Includes the BC Housing Management Commission and the Provincial Rental Housing Corporation.

[6] Includes the BC Assessment Authority, the Pacific Racing Association, and other taxpayer-supported Crown corporations and agencies. Also includes loan guarantees to agricultural producers, guarantees issued under economic development assistance programs and loan guarantee provisions.

[7] A joint venture of the Columbia Power Corporation and Columbia Basin Trust.

Table A2.20 Five-Year Provincial Debt Summary -- Supplementary Information

	1998/99	1999/2000	2000/01	2001/02	2002/03
Per Cent of GDP:			(per cent)		
Taxpayer-supported debt					
Provincial government direct	10.6	11.5	9.4	10.5	11.5
Education	4.0	4.1	4.1	4.2	4.3
Health facilities	1.1	1.2	1.4	1.5	1.5
Highways, ferries and public transit	3.1	2.9	3.2	3.5	3.6
Other debt	1.3	1.2	1.3	1.0	0.8
Total taxpayer-supported debt	20.1	20.9	19.3	20.8	21.6
Self-supported debt					
Commercial Crown corporations and agencies	7.3	6.6	5.9	5.9	5.6
Warehouse borrowing program	0.6	1.1	1.0	0.8	-
Total self-supported debt	7.8	7.7	6.9	6.7	5.6
Total provincial debt	**27.9**	**28.6**	**26.2**	**27.4**	**27.2**
Growth Rates:			(per cent)		
Taxpayer-supported debt					
Provincial government direct	10.8	13.4	-12.6	13.8	12.1
Education	8.7	8.3	5.7	4.8	5.0
Health facilities	-10.4	13.2	22.7	7.9	4.4
Highways, ferries and public transit	15.8	-4.2	20.2	10.7	3.2
Other debt	1.9	-4.2	17.4	-20.5	-22.0
Total taxpayer-supported debt	9.1	8.5	-0.7	8.7	6.9
Self-supported debt					
Commercial Crown corporations and agencies	5.0	-5.0	-5.1	1.4	-2.3
Warehouse borrowing program	558.0	100.6	-0.6	-18.7	-100.0
Total self-supported debt	11.9	2.6	-4.5	-1.6	-14.2
Total provincial debt	**9.8**	**6.9**	**-1.7**	**6.0**	**1.8**
Per Capita Debt:			(dollars)		
Taxpayer-supported debt					
Provincial government direct	3,056	3,440	2,983	3,362	3,731
Education	1,150	1,236	1,296	1,345	1,399
Health facilities	321	360	438	468	484
Highways, ferries and public transit	911	866	1,032	1,131	1,156
Other debt	367	349	407	320	247
Total taxpayer-supported debt	5,805	6,251	6,157	6,626	7,017
Self-supported debt					
Commercial Crown corporations and agencies	2,101	1,980	1,864	1,871	1,810
Warehouse borrowing program	165	328	323	260	-
Total self-supported debt	2,266	2,308	2,188	2,131	1,810
Total provincial debt	**8,071**	**8,559**	**8,345**	**8,757**	**8,827**

Note: Totals may not add due to rounding.

Table A2.21 Summary of Changes from the 2002/03 Third *Quarterly Report* Updated Forecast - Capital Spending and Debt

	Change	Final Results
	($ millions)	
Capital spending - third quarter updated forecast		**2,179**
Taxpayer-supported		
Education facilities	(19)	
Health facilities	(17)	
Rapid Transit Project 2000	(29)	
Purchase of land for Vancouver Convention and Exhibition Centre expansion project	32	
Other	(17)	**(50)**
Self-supported commercial		
Columbia power projects	(40)	
ICBC	(15)	
Other	(18)	**(73)**
Capital spending - actual		**2,056**
Provincial debt at March 31, 2003 - third quarter updated forecast		**37,268**
Taxpayer-supported debt		
Provincial government operating - improved results of the CRF, partially offset by higher working capital requirements	(111)	
Education and health facilities - mainly reduced capital spending	(38)	
Transportation - mainly reduced *SkyTrain* capital spending	(45)	
Other reduced requirements	(27)	
Total taxpayer-supported		**(221)**
Self-supported commercial		
BC Hydro - reduced working capital requirements	(169)	
Other - mainly Columbia power projects reduced capital spending	(21)	
Total self-supported		**(190)**
Debt forecast allowance not needed		**(300)**
Provincial debt at March 31, 2003 - 2002/03 *Public Accounts*		**36,557**

Table A2.22 Historical Summary Accounts Surplus (Deficit) [1]

Year	Consolidated Revenue Fund			Crown Corporations and Agencies	Joint Trusteeship Arrangements	Summary Accounts Surplus (Deficit)	Surplus (Deficit) as a Per Cent of GDP
	Revenue	Expenditure	Balance				
	($ millions)						
1969/70	1,248	1,244	4	-	-	4	-
1970/71	1,373	1,274	99	-	-	99	1.1
1971/72	1,558	1,474	84	-	-	84	0.8
1972/73	1,772	1,675	97	-	-	97	0.8
1973/74	2,217	2,071	146	-	-	146	1.0
1974/75	2,769	2,779	(10)	-	-	(10)	(0.1)
1975/76	3,124	3,534	(410)	-	-	(410)	(2.1)
1976/77	3,785	3,691	94	-	-	94	0.4
1977/78	4,372	4,168	204	-	-	204	0.8
1978/79	4,853	4,582	271	-	-	271	0.9
1979/80 [1]	5,860	5,318	542	(88)	-	454	1.4
1980/81	5,982	6,239	(257)	45	-	(212)	(0.6)
1981/82	7,139	7,323	(184)	43	-	(141)	(0.3)
1982/83	7,678	8,662	(984)	(257)	-	(1,241)	(2.8)
1983/84	8,335	9,347	(1,012)	49	-	(963)	(2.0)
1984/85	8,807	9,801	(994)	172	-	(822)	(1.6)
1985/86	9,160	10,127	(967)	110	-	(857)	(1.6)
1986/87	9,463	10,624	(1,161)	526	-	(635)	(1.1)
1987/88	11,007	11,055	(48)	119	-	71	0.1
1988/89	12,570	11,834	736	194	-	930	1.3
1989/90	13,656	13,200	456	40	-	496	0.7
1990/91	14,236	15,010	(774)	107	-	(667)	(0.8)
1991/92	14,570	17,101	(2,531)	192	-	(2,339)	(2.9)
1992/93	16,172	17,858	(1,686)	210	-	(1,476)	(1.7)
1993/94	17,923	18,833	(910)	11	-	(899)	(1.0)
1994/95	19,506	19,953	(447)	219	-	(228)	(0.2)
1995/96	19,698	20,054	(356)	38	-	(318)	(0.3)
1996/97	20,126	20,241	(115)	(270)	-	(385)	(0.4)
1997/98	20,216	20,135	81	(248)	-	(167)	(0.1)
1998/99	20,306	20,581	(275)	(722)	-	(997)	(0.9)
1999/2000	21,957	22,213	(256)	406	-	150	0.1
2000/01	24,013	22,460	1,553	(70)	(52)	1,431	1.1
2001/02	22,894	24,897	(2,003) [2]	(746) [2]	1,464	(1,285)	(1.0)
2002/03	22,147	25,196	(3,049)	(120)	-	(3,169)	(2.4)

[1] The provincial government began publishing summary financial statements in 1979/80. Figures for prior years are unavailable. For 1970/71 to 1978/79, the CRF surplus/(deficit) is used in place of the summmary accounts surplus/(deficit).

[2] Does not include the $256 million transfer to the CRF for the wind-up of Forest Renewal BC and Fisheries Renewal BC.

Table A2.23 Historical Revenue by Source
Consolidated Revenue Fund [1]

Year	Taxation	Natural Resource	Other Revenue	Contributions from Government Enterprises	Contributions from the Federal Government	Total
			($ millions)			
1984/85	5,015	721	886	360	1,825	8,807
1985/86	5,237	704	965	398	1,856	9,160
1986/87	5,354	658	979	448	2,024	9,463
1987/88	6,200	1,223	1,060	470	2,054	11,007
1988/89	6,973	1,272	1,729	447	2,149	12,570
1989/90 [2]	8,095	1,249	1,464	727	2,121	13,656
1990/91	8,702	1,171	1,433	834	2,096	14,236
1991/92	8,997	1,101	1,573	701	2,198	14,570
1992/93	9,897	1,264	1,580	1,016	2,415	16,172
1993/94 [3]	11,101	1,772	1,733	1,048	2,269	17,923
1994/95	11,937	2,244	1,835	1,028	2,462	19,506
1995/96 [4]	12,509	2,026	1,801	968	2,394	19,698
1996/97	13,094	2,186	1,743	1,148	1,955	20,126
1997/98	13,103	2,197	1,799	1,280	1,837	20,216
1998/99	13,134	1,829	1,831	1,362	2,150	20,306
1999/2000 [5]	13,364	2,517	1,888	1,454	2,734	21,957
2000/01	13,881	3,975	1,860	1,500	2,797	24,013
2001/02 [5]	13,652	3,108	1,910	1,437	2,787	22,894
2002/03 [5]	11,846	3,255	2,206	1,517	3,323	22,147

[1] Revenue has been restated to reflect the government's accounting policy at March 31, 2003. Further information is provided in footnotes to Table A2.3, and in the introduction to this appendix. Figures exclude dedicated revenue collected on behalf of, and transferred to, Crown corporations and agencies. These revenues are included as part of the operations of the Crown corporations and agencies. Figures are based on *Public Accounts* information.

[2] Beginning in 1989/90, other revenue has been restated to reflect a change in accounting policy to exclude sinking fund earnings from revenue.

[3] Beginning in 1993/94, revenue has been restated to reflect a change in accounting policy to show allowances for doubtful collection of revenue accounts as deductions from revenue. Previously, these amounts were recorded as expenditures.

[4] Beginning in 1995/96, other revenue has been restated to reflect a change in accounting policy to exclude from revenue and expenditure, non-cash exchanges of Crown land (of equivalent value) to third parties.

[5] Revenue have been restated for 1999/00 and 2001/02 reflecting a change in the method of recording equilization entitlement from cash basis to accural. This has the effect of increasing 1999/00 revenue by $125 million, and reducing 2001/02 and 2002/03 revenue by $68 million and $57 million, respectively.

Table A2.24 Historical Expense by Function
Consolidated Revenue Fund [1]

Year	Health	Social Services	Education	Transportation	Debt Servicing	Other [2]	Total
			($ millions)				
1984/85	3,042	1,266	2,455	1,263	275	1,500	9,801
1985/86	3,161	1,298	2,385	1,157	342	1,784	10,127
1986/87	3,446	1,298	2,495	905	384	2,096	10,624
1987/88	3,684	1,349	2,663	928	525	1,906	11,055
1988/89	4,012	1,440	2,920	844	530	2,088	11,834
1989/90 [3]	4,502	1,496	3,228	1,199	457	2,318	13,200
1990/91	5,028	1,669	4,113 [4]	1,188	478	2,534	15,010
1991/92	5,617	1,994	4,521	1,262	590	3,117	17,101
1992/93	6,003	2,366	4,804	1,078 [5]	736	2,871	17,858
1993/94	6,287	2,704	4,984	1,024 [5]	844	2,990	18,833
1994/95	6,584	2,890	5,252	907	931	3,389	19,953
1995/96	6,778	3,033	5,492	852	887	3,012	20,054
1996/97	7,038	2,969	5,750	844	867	2,773	20,241
1997/98	7,224	3,048	5,766	770	834	2,493	20,135
1998/99 [6]	7,479	3,113	5,825	790	838	2,536	20,581
1999/2000	8,017	3,093	5,975	1,697	835	2,596	22,213
2000/01	8,745	3,208	6,357	611	889	2,650	22,460
2001/02 [7]	9,846	3,381	6,854	701	761	3,354	24,897
2002/03 [7]	10,357	3,090	6,877	750	711	3,411	25,196

[1] Expense has been restated to reflect the government's accounting policy at March 31, 2003. Further information is provided in footnotes to Table A2.8. Figures are based on *Public Accounts* information.

[2] Other includes: protection of persons and property, natural resources and economic development, general government and other expenses.

[3] Beginning in 1989/90, expense has been restated to report sinking fund earnings as a deduction from expense. Previously, these earnings were reported as revenue. The annual deficits are unchanged by this accounting policy change.

[4] Beginning in 1990/91, the provincial government assumed full responsibility for contributions to school districts previously funded through residential school property taxes. As a result, some expenses formerly financed by local school districts are included as expenses of the government.

[5] Responsibility for highway capital construction was transferred to the BC Transportation Financing Authority in 1993/94.

[6] Expense for prior years was decreased due to a change in recognition of silviculture liabilities arising under the Small Business Forest Enterprise Program. Silviculture costs were previously expensed as incurred but are now accrued when the liability occurs. Expense was reduced by $16 million-2001/02, $4.5 million-2000/01, $2.2 million-1999/00, and $5.9 million-1998/99.

[7] Includes restructuring exit costs (2002/03 - $188 million, 2001/02 - $161 million).

Table A2.25 Historical Provincial Debt Summary [1]

Year	Taxpayer-Supported Debt: Provincial Government Direct Operating	Education Facilities Capital Financing	Health Facilities Capital Financing	Highways, Ferries and Public Transit	Other [2]	Total Taxpayer-Supported Debt	Self-Supported Debt [3]	Total Provincial Debt	Total Debt as a Per Cent of GDP	Taxpayer-Supported Debt as a Per Cent of GDP
					(millions)				(per cent)	
1969/70	-	338	42	142	100	622	1,661	2,283	24.7	6.7
1970/71	-	362	64	172	99	697	1,808	2,505	25.6	7.1
1971/72	-	380	85	233	95	793	1,948	2,741	24.9	7.2
1972/73	-	408	105	288	87	888	2,062	2,950	23.8	7.2
1973/74	-	425	117	340	145	1,027	2,228	3,255	21.1	6.7
1974/75	-	485	133	386	149	1,153	2,650	3,803	21.3	6.5
1975/76	-	557	178	544	145	1,424	3,144	4,568	23.1	7.2
1976/77	261	658	236	649	188	1,992	3,787	5,779	24.4	8.4
1977/78	261	710	291	656	215	2,133	4,464	6,597	24.9	8.1
1978/79	261	778	334	653	91	2,117	4,838	6,955	23.3	7.1
1979/80	235	836	401	730	195	2,397	5,704	8,101	23.3	6.9
1980/81	209	919	461	729	270	2,588	5,956	8,544	21.6	6.5
1981/82	183	1,067	561	844	291	2,946	7,227	10,173	22.7	6.6
1982/83	883	1,204	660	1,024	894	4,665	7,692	12,357	27.4	10.4
1983/84	1,596	1,321	712	1,392	1,174	6,195	8,440	14,635	30.8	13.0
1984/85	2,476	1,308	717	691 [4]	1,276	6,468	9,082 [4]	15,550	31.2	13.0
1985/86	3,197	1,276	680	1,034	1,376	7,563	8,990	16,553	30.9	14.1
1986/87	4,802	1,268	681	1,097	812	8,660	8,485	17,145	30.3	15.3
1987/88	5,017	1,278	716	1,192	660	8,863	8,149	17,012	27.2	14.2
1988/89	4,919	1,322	763	1,213	842	9,059	7,396	16,455	23.7	13.1
1989/90	4,209	1,367	837	1,244	1,262	8,919	7,340	16,259	21.5	11.8
1990/91	4,726	1,565	959	1,287	1,281	9,818	7,444	17,262	21.8	12.4
1991/92	6,611	1,939	1,040	1,527	1,431	12,548	7,493	20,041	24.5	15.3
1992/93	8,969	2,426	1,141	1,719	1,641	15,896	7,526	23,422	26.8	18.2
1993/94	10,257 [5]	3,054	1,181	1,862 [5]	1,627	17,981	7,946	25,927	27.6	19.1
1994/95	10,181	3,631	1,318	2,158	1,749	19,037	8,013	27,050	26.9	18.9
1995/96	10,237	3,990	1,399	2,598	1,695	19,919	8,847	28,766	27.2	18.9
1996/97	11,030	4,230	1,431	3,144	1,440	21,275	8,096	29,371	27.0	19.5
1997/98	11,488	4,352	1,417	3,463	1,431	22,151	8,204	30,355	26.5	19.4
1998/99	12,217	4,597	1,282	3,641	1,467	23,204	9,057	32,261	27.9	20.1
1999/2000	13,859 [6]	4,978	1,451	3,487 [6]	1,406 [6]	25,181	9,297	34,478	28.6	20.9
2000/01	12,113	5,263	1,780	4,191	1,651 [7]	24,998	8,882 [7]	33,880	26.2	19.3
2001/02	13,789 [8]	5,517	1,920	4,639	1,312 [8]	27,177	8,741	35,918	27.4	20.8
2002/03	15,453	5,793	2,004	4,786	1,024	29,060	7,497	36,557	27.2	21.6

[1] Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported in the government's accounts as an accounts payable.

[2] Includes BC Buildings, BC Housing Management Commission, Provincial Rental Housing Corporation and other taxpayer-supported Crown corporations and agencies. Also includes loan guarantees to agricultural producers, guarantees issued under economic development assistance programs and loan guarantee provisions.

[3] Includes commercial Crown corporations and agencies and, beginning in 1995/96, funds held under the province's warehouse borrowing program.

[4] Prior to 1984/85 debt outstanding for BC Rail was classified as taxpayer-supported debt. Beginning in 1984/85 the company was considered to be a commercial operation.

[5] Prior to the establishment of the BC Transportation Financing Authority in the spring of 1993, capital financing for highways was provided through provincial government direct operating debt.

[6] Effective March 31, 2000, the provincial government assumed responsibility for fiscal agency loans of BC Ferries ($1,080 million) and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre) ($70 million).

[7] Based on a revised outlook for world pulp prices and its potential impact on the finances of 552513 British Columbia Ltd. (Skeena Cellulose Inc.), the company's debt was reclassified from self-supported to taxpayer-supported in 2000/01. As the province is not the sole shareholder of Skeena Cellulose Inc., a portion of this debt was attributed to the minority shareholder.

[8] In March 2002, Skeena Cellulose debt was assumed by the provincial government ($260 million) and by the minority shareholder ($94 million) in preparation for returning Skeena Cellulose Inc. to the private sector.

Table A2.26 Provincial Taxes (as of July 2003)

Type and Statute Reference	Tax Base	Tax Rate	Characteristics and Exemptions
Income *Income Tax Act*	Taxable Income (1) Corporate.	13.5% of taxable income (small business rate: 4.5%).	Both personal and corporate taxes are administered by the Canada Customs and Revenue Agency under an agreement between the province and the federal government. Corporate tax credits include the scientific research and experimental development tax credit, book publishing tax credit and the film tax credit. In addition, the political contributions tax credit, royalty tax credit, the mining exploration tax credit, logging tax credit and venture capital tax credits are available to both individuals and corporations.
	(2) Personal.	Tax rates of 6.05%, 9.15%, 11.7%, 13.7% and 14.7% corresponding to tax brackets of up to $31,653, $31,653 to $63,308, $63,308 to $72,685, $72,685 to $88,260 and over $88,260.	Under the tax on income system, BC provides a set of non-refundable credits equivalent to all federal non-refundable credits. BC Family Bonus and BC Earned Income Benefit are combined with the federal government's Canada Child Tax Benefit in a single monthly payment to families. Tax credits for claims against personal income taxes include the refundable sales tax credit, mining flow-through share tax credit and employee venture capital tax credits.
Capital — *Corporation Capital Tax Act*	Net BC paid-up capital.	Banks, trust companies and credit unions with net paid-up capital: greater than $1 billion — 3%; $1 billion or less or headquartered in British Columbia 1%.	Associated groups of corporations with net paid-up capital of less than $10 million are exempt from the tax. Family farm, cooperative, non-profit and other specified corporations are also exempt. The tax rate is phased in for corporations with net British Columbia paid-up capital between $10 million and $10.25 million. There is a special flat fee for corporations above the exemption threshold but with net paid-up capital allocated to British Columbia below the threshold.
Real Property Transfers — *Property Transfer Tax Act*	Fair market value of property or interest in property transferred.	1% on the first $200,000 of value transferred and 2% on amounts in excess of $200,000.	Exemptions include: transfers of principal residences, recreational residences and family farms to related individuals; transfers of property between spouses pursuant to written separation agreements or court orders; transfers of property to local governments, registered charities and educational institutions; transfers of property to veterans under the *Veterans' Land Act* (Canada); transfers of land to be protected, preserved, conserved or kept in a natural state; and transfers of leases less than 31 years in duration. A number of technical exemptions are also provided. Eligible first time home-buyers are exempt from tax on transfers of eligible properties.
Retail Sales — *Social Service Tax Act*	Purchase and lease price of tangible personal property, repair labour and legal services.	General rate is 7.5%. Liquor 10%. Passenger vehicles: under $47,000 — 7.5%; $47,000 to $48,000 — 8%; $48,000 to $49,000 — 9%; over $49,000 — 10%.	Collected through vendors and lessors registered under the act and paid by purchasers and lessees. The exemptions generally fall into four categories: (1) items considered to be basic necessities of life such as food and prescription and non-prescription drugs; (2) specified inputs for certain sectors to enhance competitiveness such as the exemption for machinery and equipment used in manufacturing and in the natural resource industries and the exemption of specified equipment used by *bona fide* farmers, fishers and aquaculturists; (3) safety-related equipment designed to be worn by a worker, such as high-visibility vests and steel-toed boots, and specified general safety equipment such as life jackets; (4) energy conservation materials and equipment such as insulation material for buildings, and eligible wind, solar and micro-hydro equipment.
Accommodation — *Hotel Room Tax Act*	Purchase price of accommodation.	8%. Eligible local governments may apply to have the province levy an additional tax of up to 2% in specified areas on their behalf.	Exemptions include accommodation rented for a period in excess of two months; lodging provided in hospitals and nursing homes; lodging supplied to employees by employers; lodging on ships or trains; hotel rooms not used for accommodation; charges of $20 or less per day; charitable institutions; trailer parks and campsites; cabins without utilities and other amenities; and establishments with accommodation for less than four tenants.

Table A2.26 Provincial Taxes (as of July 2003) — Continued

Tobacco *Tobacco Tax Act*	By cigarette, cigar retail price, and weight on other tobacco products.	16 cents per cigarette and tobacco stick; 77% of retail price on cigars to a maximum tax of 55 per cigar; 16 cents per gram of loose tobacco.	
Motor Fuel *Motor Fuel Tax Act*			Tax generally applies to all fuels used in internal combustion engines. Qualifying persons with disabilities who own or lease a vehicle are entitled to refunds of provincial tax paid up to an annual maximum of $400. In the Vancouver Regional Transit service area the province collects an additional 6 cents per litre tax on clear gasoline and motive fuel on behalf of *Translink* to help fund regional public and private transportation system costs. In the Victoria Regional Transit service area the province collects (collected on behalf of) an additional 2.5 cents per litre on behalf of BC Transit to help fund the public transit system.
	Clear gasoline (unleaded gasoline only).	14.5 cents per litre. Includes 6.75 cents per litre collected on behalf of the BC Transportation Financing Authority. Of the tax collected in the Greater Vancouver Regional District, 5.5 cents is collected on behalf of *TransLink*.	
	Motive fuel.	15.0 cents per litre. Includes 3.25 cents per litre collected on behalf of the BC Transportation Financing Authority. Of the tax collected in the Greater Vancouver Regional District, 5.5 cents is collected on behalf of *TransLink*.	Tax applies to any fuel except unleaded gasoline, gasohol, natural gas, propane and butane used in a motor vehicle. Refunds of 0.5 cents per litre are available for motive fuel used in private passenger vehicles.
	Alternative Fuels.	Propane 2.7 cents per litre.	Natural gas, 85% ethanol and methanol blends are exempt from tax. Fuels using PuriNOx additive technology to blend at least 15% water and diesel motor fuel is also exempt from taxation until July 31, 2004.
	Coloured fuel, marine diesel fuel.	3 cents per litre.	Coloured fuel may only be used for specified primary production and industrial uses. *Bona fide* farmers are exempt from paying the tax when fuel is used for farming purposes.
	Locomotive fuel. Jet and aviation fuel.	3 cents per litre. 2 cents per litre.	Tax applies to fuel specifically for use in locomotives. Jet fuel tax applies to fuel produced specifically for use in a turbine aircraft engine. Aviation fuel tax applies to fuel produced specifically for use in a non-turbine aircraft engine.
	Natural gas used in stationary engines.	7% of price if purchased. 1.1 cents per 810.32 litres if used but not purchased.	Tax applies to natural gas used in stationary engines other than pipeline compressors.
	Natural gas used in pipeline compressors to transmit marketable gas.	1.9 cents per 810.32 litres.	Tax applies to natural gas used in a stationary engine at a pipeline compressor station.
	Natural gas used in pipeline compressors to extract and transmit raw gas from wells to processing plants.	Exempt.	
	Natural gas used in compressors to re-inject sour gas into depleted wells.	Exempt.	
	Marine bunker.	Exempt.	Exemption applies to bunker fuel, or a combination of bunker and other fuels used as fuel in a ship.
	Marine gas oil.	Exempt.	Exemption applies to marine gas oil when used in gas turbine engines to propel passenger and cargo vessels.

Table A2.26 Provincial Taxes (as of July 2003) — Continued

Natural resources — *Logging Tax Act*	Net income from logging in BC	10% (fully recoverable against federal and provincial corporation and personal income tax).	Net income from logging after deducting non-forestry income and a processing allowance.
— *Mineral Land Tax Act*	Assessed value of freehold mineral land and production areas.	Undesignated mineral land $1.25 to $4.94 per hectare. Designated production areas — $4.94 per hectare.	Rates of tax set on sliding scale, dependent on size and designation of land.
— *Mineral Tax Act*	Cash flow from individual metal and coal mines (other than placer gold mines).	2% of net current proceeds (NCP). 13% of net revenue (NR).	Tax calculated on a mine-by-mine basis. NCP tax paid on current operating cash flow until all current and capital costs, plus any investment allowance, are recovered. NR tax paid thereafter on cumulative cash flow. NCP tax creditable against NR tax.
	Volume of production of limestone, dolomite, marble, shale, clay, volcanic ash, diatomaceous earth, sandstone, quartzite and dimension stone.	$0.15 per tonne removed from all quarries operated.	An operator may deduct 25,000 tonnes from the total number of tonnes removed from all quarries operated by that operator. However the amount deducted from any one quarry by all operators of that quarry must not exceed 25,000 tonnes.
	Value of minerals sold by placer gold mines.	0.5% of value of minerals sold.	
Insurance — *Insurance Premium Tax Act*	Direct premiums written.	4% for vehicle and general insurance; 2% for life, sickness, personal accident and loss of salary and wages insurance.	Exemptions — benefit societies; mutual corporations with 50% of income from farm or 100% from religious, educational or charitable institutions; marine, except pleasure craft; approved medical or hospitalization plans.
Real property — *Taxation (Rural Areas) Act*	Assessed value of land and improvements in rural areas (outside municipalities). Assessment determined under the *Assessment Act*.	Rates are set annually. For residential properties the rates are set to increase average residential rural taxes by the rate of inflation. For 2003, the rates are 0.05% for farms and managed forest land; 0.103% for residential; 0.47% for recreational property non-profit organizations; 0.37% for light industry, business and other property not contained in any other class; 0.42% for utilities; 0.45% for major industry and unmanaged forest land.	Some exemptions apply under various statutes.
Residential school tax — *School Act*	Assessed value of residential land and improvements. Assessment determined under the *Assessment Act*.	Rates are set annually to increase average gross residential taxes by the rate of inflation. The rates vary by school district. For 2003 rates range from about 0.24% to 0.9%; weighted average 0.35%.	Basic rates are calculated using a formula to moderate effects of varying average assessments on school district taxes. School districts may levy additional tax if authorized by local referendum. Amendments to the School Act in 2002 allow the Minister of Finance to apply different tax rates within a school district. Tofino is the only municipality with a rate that differs from the rest of the school district.
Non-residential school tax — *School Act*	Assessed value of non-residential land and improvements. Assessment determined under the *Assessment Act*.	Rates are set annually. For 2003 the rates are 0.45% for recreational property non-profit organizations; 0.23% for managed forest land; 0.68% for farms; 0.99% for light industry, business and other property not contained in any other class; 1.2% for unmanaged forest land; 1.25% for major industry; 1.5% for utilities.	Some exemptions apply under various statutes.

Table A2.27 Interprovincial Comparisons of Tax Rates - 2003 (Rates known as of June 30, 2003)[1]

Tax	British Columbia	Alberta	Saskat-chewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	New-foundland
Corporation income tax (per cent of taxable income)[2]										
General Rate	13.5	12.5	17.0	16.0	12.5	8.9/16.25	13.0	16.0	16.0	14.0
Manufacturing Rate	13.5	12.5	10.0	16.0	11.0	8.9	13.0	16.0	7.5	5.0
Small Business Rate	4.5	4.0	6.0	5.0	5.5	8.9	3.0	5.0	7.5	5.0
Small Business Threshold ($000s)	300	400	300	320	320	n/a	400	200	200	200
Corporation Capital Tax (per cent)[3]										
Non-financial	*Nil*	*Nil*	0.6	0.3/0.5	0.3	0.6	0.3	0.25/0.5	*Nil*	*Nil*
Financial	1.0/3.0	*Nil*	0.7/3.25	3.0	6/.72/.9	1.2	3.0	3.0	3.0	4.0
Health Care Monthly Premiums Individual/family[4]	$54/$108	$44/$88	*Nil*	*Nil*	*Nil*	*Nil*	*Nil*	*Nil*	*Nil*	*Nil*
Payroll tax[5] (per cent)	*Nil*	*Nil*	*Nil*	2.15	1.95	4.26	*Nil*	*Nil*	*Nil*	2.0
Insurance premium tax (per cent)[6]	2.0-4.0	2.0-3.0	3.0-4.0	2.0-3.0	2.0-3.5	2.0-3.0	2.0-3.0	3.0-4.0	3.5	4.0
Fuel tax (cents per litre)										
Gasoline[7]	14.5	9.0	15.0	11.5	14.7	19.2	10.7	15.5	14.0	16.5
Diesel	15.0	9.0	15.0	10.9	14.3	20.2	13.7	15.4	13.5	16.5
Sales tax (per cent)[8]										
General rate	7.5	*Nil*	6.0	7.0	8.0	7.5	8.0	8.0	10.0	8.0
Liquor	10.0	*Nil*	7.0	7.0	12.0	7.5	8.0	8.0	37.5	8.0
Meals	*Nil*	*Nil*	*Nil*	7.0	8.0	7.5	8.0	8.0	10.0	8.0
Accommodation[9]	8.0	5.0	6.0	7.0	5.0	7.5	8.0	8.0	10.0	8.0
Tobacco tax (dollars per carton of 200 cigarettes)[10]	$32.00	$32.00	$35.80	$33.20	$17.20	$18.10	$29.00	$30.60	$29.90	$34.90

[1] Personal income tax rates are not shown because they vary by income ranges determined by each province.

[2] Alberta, Manitoba, Ontario and New Brunswick plan further reductions in their corporate income tax rates or increases in their small business thresholds in future years. Quebec's rate on investment income is 16.25 per cent.

[3] The lower British Columbia rate applies to financial corporations corporations with net paid-up capital in excess of $10 million. Ontario has a deduction of $5 million for all corporations; Manitoba has a $5 million exemption level and the higher rate applies to corporations with taxable capital in excess of $10 million; Saskatchewan has a $10 million deduction with an additional $5 million available to Saskatchewan-based companies. Large Saskatchewan resource corporations are assessed a surcharge on the value of Saskatchewan resource sales. Ontario and Quebec have an additional surcharge or compensation tax on financial institutions. Ontario has announced it intends to phase out its capital tax starting in 2004.

[4] British Columbia has a two-person rate of $96 per month. British Columbia and Alberta offer premium assistance in the form of lower rates or an exemption from premiums for lower-income individuals and families.

[5] Manitoba, Ontario and Newfoundland provide payroll tax relief for small businesses.

[6] The lower rate applies to premiums for life, sickness and accident insurance; the higher rate applies to premiums for property insurance. The rate on automobile insurance is 4 per cent in British Columbia and Saskatchewan, and 3 per cent in Ontario. Sales tax applies to insurance premiums, except those related to individual life and health, in Ontario (8 per cent), Newfoundland (12 per cent) and Quebec (9 per cent). The sales tax is 5 per cent for auto insurance in Quebec and Ontario.

[7] Tax rate is for regular unleaded fuel used on highways. The British Columbia rate includes 3.25 cents per litre dedicated to the BC Transportation Financing Authority, 1.25 cents per litre dedicated to the British Columbia Ferry Corporation and five cents per litre dedicated to *TransLink*, Vancouver's regional transportation authority. The rates do not include regional taxes. The Quebec rate includes estimated sales tax.

[8] The Quebec and Prince Edward Island tax rates are imposed on top of the federal goods and services tax.

[9] The British Columbia rate includes 1.65 percentage points which are imposed on behalf of Tourism British Columbia.

[10] Includes estimated provincial sales tax where applicable.

Table A2.28 Summary of Major Tax Changes Announced in 2003

Income Tax Act

- Enhanced regional incentives were added to the corporate film tax credits.
- New digital animation or visual effects credits were introduced for film productions. A new book publishing tax credit was introduced effective October 1, 2002.
- The mining flow-through share tax credit was extended to match the extension of the federal credit.
- The BC Mining Exploration Tax Credit was extended for three more years to August 2006.

Corporation Capital Tax Act

- The corporation capital tax exemption threshold for financial institutions was increased to $10 million from $5 million effective April 1, 2003.

Social Service Tax Act

- Effective February 19, 2003 the sales tax exemption for machinery and equipment (M&E) used in manufacturing, logging, mining and the energy sector was extended to apply to contractors who purchase M&E under fixed price contracts to improve real property for eligible customers.
- Effective February 19, 2003, the exemption for machinery and equipment used in the forest industry was expanded to include boom boats.
- Effective February 19, 2003 the Act was amended to treat aggregate producers the same as mineral producers for provincial sales tax purposes. This allows aggregate producers to qualify for the exemption for purchases of explosive supplies.
- Effective February 19, 2003 the list of items that can be purchased exempt by bona fide farmers was expanded to include hanging gutters and shade curtains and the exemption for aquaculturists was expanded to include closed bag containment systems and water pumps used to fill or empty fish enclosures. Effective February 19, 2003 parts delivery vehicles used by motor vehicle dealers were made eligible to be taxed under the "dealer use formulas".
- Effective February 19, 2003, the Act was amended to clarify that agricultural feeds and seeds are taxable when used to feed wild birds, pet birds and other household pets.

School Act

- For 2003, the province announced a new policy that in 2003 and future years average gross residential school taxes would increase by the rate of inflation. In 2003 the increase is 2.5 per cent. As usual, the province adjusted school property tax rates in response to changes in average assessed values in each school district. Some homeowners will experience an increase in their school taxes that exceeds 2.5 per cent, while others will have offsetting reductions.
- For each of the eight non-residential property classes, a single, province-wide rate is set. Non-residential school tax rates are unchanged from last year. Individual property tax bills for non-residential property owners may rise or fall depending on changes in assessment.

Taxation (Rural Area) Act

- The province announced a new policy that in 2003 and future years average gross residential rural area taxes would increase by the rate of inflation. In 2003 the increase is 2.5 per cent. The residential tax rate was reduced to 0.103 per cent. Assessments on existing properties, on average, were up 3.8 per cent. Non-residential rates were not changed from last year.

Motor Fuel Tax Act

- Effective March 1, 2003 the tax rate on clear gasoline and clear diesel fuel raised by the BC Transportation Financing Authority was increased by 3.5 cents per litre to 6.75 cents per litre. The tax rate for auto propane was increased to 2.7 cents per litre from 2.1 cents in order to maintain the 25 per cent relationship with clear gasoline.
- Effective April 1, 2003, the 1.25 cent per litre clear motor fuel tax formerly paid to the BC Ferry Corporation was redirected to the consolidated revenue fund.
- Effective February 19, 2003, a tax exemption was provided for marine gas oil when the fuel is used in gas turbine engines to propel passenger or cargo vessels.
- Effective April 1, 2003, the portion of tax on clear gasoline and diesel fuel transferred to *TransLink* was increased by 0.5 cents per litre.

Tobacco Tax Act

- As of February 19, 2003, the tax rate on cigarettes was increased to $32 from $30 per carton of 200 cigarettes and the tax rate on fine cut tobacco was increased to 16 cents from 15 cents per gram.

Horse Racing Tax Act

- The Act was repealed, effective April 1, 2003, and the authority to collect revenue from wagering on horse racing was transferred to the BC Lottery Corporation.

Appendix 3
Constitutional Framework

Constitutional Framework

The structure of the British Columbia government is based on British parliamentary tradition and precedent. Prior to 1866, BC was composed of two British-controlled Crown colonies, one on Vancouver Island and a second on the mainland. In 1866, the Union Proclamation joined these two colonies to form the Crown Colony of British Columbia, and on July 20, 1871, BC entered into Confederation with Canada. Although the Colony of Vancouver Island had a parliamentary form of government as far back as 1856, the first fully elected government was not instituted in BC until the autumn after Confederation with Canada. Responsible government was achieved in late 1872, when the Lieutenant Governor acquiesced to an executive council that was responsible to the legislative assembly.

Upon entering Confederation, BC came under the authority of the *British North America Act, 1867 (BNA Act)*, a statute of the British parliament. Until 1982, the *BNA Act* defined the major national institutions and established the division of authority between the federal and provincial governments. In 1982, the *BNA Act* was renamed the *Constitution Act, 1867* and its amendments were incorporated into the *Constitution Act, 1982*. The *Constitution Act, 1982*, which also includes the Canadian Charter of Rights and Freedoms, is companion legislation to the *Canada Act, 1982*. With the passage of the *Canada Act, 1982*, the British Parliament ended its legal right to legislate for Canada. Canada, as a federal state, divides legislative powers between the federal and provincial governments.

Provincial Government

BC's government is modeled after the British system. Functionally there are three main branches: the legislature, the executive and the judiciary.

Legislature

Legislative powers in British Columbia are exercised by a single legislative chamber, which is elected for a term of up to five years. The legislature consists of the Lieutenant Governor and 79 elected members of the legislative assembly. The legislative assembly represents the people of BC in the conduct of the province's affairs. The assembly is required by law to meet at least once a year with a normal session lasting several months. However, special sessions can last just a few days or many months, depending on the nature of the government's business.

The Legislature operates on a fixed schedule — the second Tuesday in February each year is reserved for the Throne Speech and the third Tuesday in February each year is reserved for the Budget Speech.

Executive

The executive is composed of the Lieutenant Governor and the executive council. The Lieutenant Governor is the Queen's representative in British Columbia and holds a largely ceremonial place in modern provincial

government. By constitutional custom, the Lieutenant Governor is appointed by the Governor General of Canada for a term usually lasting five years.

The Lieutenant Governor, on the advice of the premier, appoints members of the executive council and is guided by the executive council's advice as long as it holds the confidence of the legislative assembly. Following a general election, the Lieutenant Governor calls upon the leader of the political party with the largest number of elected members to serve as premier and to form the provincial government.

The Lieutenant Governor, on recommendation of the premier, convenes, prorogues and dissolves the legislative assembly and gives Royal Assent to all measures and bills passed by the assembly before they become law.

The executive council, or cabinet, is headed by the premier and is composed of selected members of the ruling party. Ministers are the head of government ministries, and are usually members of cabinet.

Cabinet determines government policy and is held responsible by the legislative assembly for the operation of the provincial government. Deputy ministers are the chief operating officers of ministries and are appointed by cabinet. Deputy ministers are responsible for carrying out government policies and for managing the work of their ministries.

Judiciary

The judiciary performs functions that are central to the orderly operation of society. Judges hear and give judgment in criminal prosecutions and in actions arising from disputes between private citizens or between the government and private citizens. Judges apply both judge-made law, known as "common law," and laws made by the Parliament of Canada and provincial legislatures. The judiciary is increasingly called on to determine whether laws passed by governments conform to the values expressed in the Canadian Charter of Rights and Freedoms.

BC's judicial system is made up of the Provincial Court of British Columbia, the Supreme Court of British Columbia and the Court of Appeal of British Columbia. The Provincial Court includes Small Claims, Adult Criminal, Youth and Family divisions. The provincial government appoints Provincial Court judges, and the federal government appoints Court of Appeal and Supreme Court judges.

The federal judicial system includes the Tax Court of Canada, the Federal Court of Canada (Appeals division and Trial division) and the Supreme Court of Canada. The Federal Court of Canada hears cases in limited areas of exclusively federal jurisdiction, for example, reviewing decisions made by federal tribunals such as the Canada Labour Relations Board. The Supreme Court of Canada is the court of final resort and hears selected appeals from the Federal Court of Appeal and provincial Courts of Appeal.

Provincial Government Jurisdiction

Under Canada's constitutional framework, BC has ownership and jurisdiction over natural resources and is responsible for education, health and social services, municipal institutions, property and civil rights, the administration of justice and other matters of purely provincial or local concern.